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NEWS RELEASE

4 September 2019

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 ("MAR"). Upon publication of this announcement, the inside information is now considered to be in the public domain for the purposes of MAR.

JUST GROUP PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019
INTENSIFIED FOCUS ON CAPITAL AND VALUE

Just Group plc (the "Group", "Just") announces its results for the six months ended 30 June 2019. As stated at the AGM, the Board remains focused on delivering capital self-sufficiency by 2022, while in parallel developing other strategic and business options to enhance shareholder value.

Key Points: Capital and balance sheet

- **Organic capital consumption[1,3] reduced significantly to £36m (H118 - £82m),** due to lower new business strain and improved in-force surplus generation. We remain committed to achieving organic capital generation by 2022, having made good initial progress and with a number of initiatives underway.
- **New business strain was £47m, half the level in H118.** We have managed sales down by 30% and focused on a more capital efficient business mix.
- **Solvency coverage ratio of 149% after notional recalculation for TMTP[2]** (31 December 2018: 136%). The positive effect of capital actions has been partially offset by economic headwinds. Our pro forma solvency ratio[3] was 152%, which represents the solvency coverage ratio of 149% adjusted for a £118m increase to our solvency surplus from Defined Benefit longevity reinsurance, partly offset by a £70m increase in our Solvency Capital Ratio ("SCR") in preparation for adjustments to the treatment of Lifetime Mortgages ("LTM") within our internal model. Whilst the final outcome of CP7/19 remains uncertain, we are planning on the basis that it increases our SCR by a further £130m by end of 2021. Tangible Net Asset Value per share was 162p, Embedded Value per share[3] was 210p.

Key Points: IFRS profits

- **IFRS profit before tax was £125m (H118: £46m)**, as positive economic variances offset a fall in underlying operating profit
- **Underlying operating profit[3] was 27% lower at £114m** in H119, due to lower new business profits
- **New business operating profit[3] was down 39%** to £74m in H119. Lower new business margins were in line with expectations on lower volumes

David Richardson, Interim Group Chief Executive Officer, said:

"Capital is the Group's number one priority, and I am personally committed to delivering organic capital generation by 2022. Whilst we have made significant progress in adapting our business model, as is evident from today's results, the first half of 2019 has not been easy for our business or for shareholders, as we have faced economic and regulatory challenges. However, we have made real operational progress and I take pride in the way the business is responding. I particularly want to recognise the response of my colleagues across the Group to the rapidly changing environment.

Our new business strain has already halved. However reducing the rate at which we consume capital is just the first step. We are also working hard to release capital from the back book to mitigate the potential impact of potential regulatory changes and economic headwinds. The final outcome of CP7/19 remains uncertain but we are planning on the basis of an increase in our SCR of approximately £130m for existing business by the end of 2021. This is over and above a £70m increase made since 30 June in preparation for adjustments to the treatment of Lifetime Mortgages within our internal model.

We can announce today that we have further reduced Defined Benefit longevity risk through reinsurance, which has increased our pro forma Solvency II surplus by £118m. This more than offsets the £70m SCR adjustment for LTMs. We also have a number of further management actions available to us and in active preparation, which could be used to offset the eventual cost of the outcome of CP7/19. This includes exploring the regulatory treatment of a no-negative equity guarantee ("NNEG") risk transfer transaction.

The actions we have already taken have restored shareholder returns on new business to mid-teen levels and we will build on this progress. We are exploring a Defined Benefit De-risking ("DB") partnering approach which pairs our award-winning new business franchise with third party balance sheet capacity. This development would give us access to larger transactions, which we cannot currently target, in a capital efficient way.

We have stated previously that we expected to recommence dividend payments for the 2019 financial year at a rebased level of around one third of the amount paid in 2017. Regulatory and economic uncertainty mean the directors are not recommending the payment of an interim dividend. We will revisit our dividend policy with our full year results, informed by our capital position and the outlook at that time.

We are adapting our business model with the aim of ensuring it is economically attractive in a challenging regulatory environment. However, we are developing other strategic and business options to maximise shareholder value in parallel, with no options excluded. This includes keeping under regular review the possible need for further reductions in new business volumes. We demonstrated our resilience and adaptability when we responded to Pensions Freedom, and I am convinced we can do so again."

Notes

1. Organic capital consumption includes surplus from in-force, new business strain, overrun and other expenses, interest & dividends and other operating items. It excludes economic variances and accelerated TMTP amortisation.
2. TMTP – transitional measures for technical provisions.
3. Alternative performance measure ("APM") – In addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in the glossary at the end of this announcement. Underlying operating profit and new business operating profit are reconciled to IFRS profit before tax in the Business Review. The pro forma solvency ratio is reconciled to the Solvency II capital position as at 30 June 2019 in the Capital management section of the Business Review.

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A presentation for analysts will take place at 9.30am today at Nomura, One Angel Lane, London, EC4R 3AB. A live webcast will also be available on www.justgroupplc.co.uk at 9:30am.

Due to security restrictions at the venue attendance is limited to those who have registered.

A copy of this announcement, the presentation slides and transcript will be available on the Group's website www.justgroupplc.co.uk

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Forward-looking statements disclaimer:

This announcement in relation to Just Group plc and its subsidiaries (the “Group”) contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives.

Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward-looking (although their absence does not mean that a statement is not forward-looking). Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, although the Group believes its expectations are based on reasonable assumptions, actual future gains and losses could differ materially from those that we have estimated.

Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global economic and business conditions; asset prices; market-related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities including, for example, new government initiatives related to the provision of retirement benefits or the costs of social care; the impact of inflation and deflation; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); risks associated with arrangements with third parties, including joint ventures and distribution partners; inability of reinsurers to meet obligations or unavailability of reinsurance coverage the impact of changes in capital, solvency or accounting standards; and tax and other legislation and regulations in the jurisdictions in which the Group operates.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements within this announcement. The forward-looking statements only speak as at the date of this document and the Group undertakes no obligation to update or change any of the forward-looking statements contained within this announcement or any other forward-looking statements it may make. Nothing in this announcement should be construed as a profit forecast.

Interim Group Chief Executive Officer's Report

INTRODUCTION

I am pleased to present Just Group plc's half year report for the six months ended 30 June 2019. The Group's key priority is capital efficiency, with a commitment to achieving organic capital generation by 2022. All of our business decisions are being made with this commitment in mind.

PERFORMANCE REVIEW

During this six month period the Group has implemented changes to the business model designed to improve the capital efficiency of our business, supporting our commitment to reaching organic capital generation by 2022. This has included reductions to new business volumes in order to reduce capital strain. Retirement Income sales for the six months ended 30 June 2019 were 30% lower at £831.3m (six months ended 30 June 2018: £1,179.4m). This has contributed to a corresponding decrease in new business operating profit and adjusted operating profit before tax, but a significant fall in new business strain. New business operating profit for the six months ended 30 June 2019 was £73.7m (six months ended 30 June 2018: £120.6m), and adjusted operating profit before tax for the six months ended 30 June 2019 was £75.5m (six months ended 30 June 2018: £124.4m). As signalled in our year end results, there has been a reduction in new business margin from the 10.2% achieved in 2018 to 8.9% for this period, following the updates to property assumptions at 31 December 2018. We also adjusted the investment mix with a slightly lower Lifetime Mortgage ("LTM") backing ratio, and a focus on older borrowers, in addition to targeting shorter duration Guaranteed Income for Life ("GIfL") and Defined Benefit De-risking ("DB") business.

IFRS profit before tax for the six months ended 30 June 2019 was £125.3m compared to £45.7m for the six months ended 30 June 2018, mainly due to positive economic variances from falling risk-free rates and narrowing of credit spreads compared to the prior period.

We are reporting lower premiums compared to 2018 for each of our Retirement Income products. DB sales were £512.3m for the six months ended 30 June 2019 (six months ended 30 June 2018: £718.1m), with Q2 2019 DB sales showing a strong recovery from the £26m of sales in Q1 2019. Our DB pipeline is strong and has multiple opportunities at various levels of completion. GIfL sales were £287.9m for the six months ended 30 June 2019, maintaining the Q1 run rate (six months ended 30 June 2018: £426.5m). Overall we remain comfortable with our guidance that 2019 premiums will be consistent with the run rate established in H2 2018.

We advanced £155.8m of Lifetime Mortgage loans in the period, compared to £312.7m in the six months ended 30 June 2018. This represents 18.7% of Retirement Income sales (six months ended 30 June 2018: 26.5% of Retirement Income sales), below our usual 25-30% run rate. Our overall LTM average loan-to-value ("LTV") is 34.1% and the average LTV for advances made during the period was 28.7%.

Other steps taken during the first half of the year to improve capital efficiency include progressing the outsourcing of our UK income drawdown service, the closure to new business of our loss-making US Care unit, progress to ending operating losses at HUB Group, our corporate solutions and distribution business, and a reduction in our cost base, including simplifying our senior management structure and rationalising our property footprint. These actions together with further initiatives planned to generate additional cost reductions, including procurement and business process optimisation, are expected to generate recurring core management expense savings of c.£16m during 2019. The total expected cost for 2019 of these initiatives is £15m, of which £5m has been incurred in the period to 30 June 2019.

Our innovative solutions and excellent customer service in the DB market has been recognised when we were named Risk Management Provider of the Year at the Pensions Age Awards and Pensions Insurance Firm of the Year at the European Pensions Awards. In the Retail market, we were delighted to have achieved 5 stars in the Life & Pensions category of the Financial Adviser Service Awards, for the 14th consecutive year and our flexible new "Just for You" mortgage product scooped the award for "Best Innovation in Retail Finance" at the Retail Asset Management Awards in March. During the period we have added to our product offering through the launch of the Just for You Lifetime Mortgage range, and the innovative Secure Lifetime Income solution for investment platforms.

CAPITAL

As at 30 June 2019, the Group's Solvency II balance sheet complies with the principles in SS3/17 and the parameters we have met for these tests (13% volatility and 0% deferment rate). The Group is working constructively with the Prudential Regulation Authority ("PRA") to implement the changes required following the publication of PS31/18 in December 2018, and the potential outcomes of CP7/19.

In addition to the steps outlined above to improve capital efficiency, in March 2019 the Group strengthened its balance sheet through the issue of £375m of new capital before costs. This was achieved through £300m of Restricted Tier 1 issuance and a £75m equity placing. The Group continues to explore opportunities in the debt capital markets, including possible refinancing options for the £100m 9.5% Partnership Tier 2 notes which are callable annually from March 2020.

The Group is considering the regulatory treatment for its no negative equity guarantee ("NNEG") hedging transaction, designed to reduce exposure to fluctuations in property growth rates in light of CP7/19, to enable larger-scale risk transfer. This will likely only be possible once the outcome of CP7/19 has been finalised.

The Group's Solvency Capital Requirement ("SCR") coverage ratio at 30 June 2019 was 149%, after allowance for notional TMTP recalculation (31 December 2018: 136% after allowance for notional TMTP recalculation). The change during the period reflects the benefit of the capital raised in March 2019, however this has been partly offset by new business strain, a fall in house prices and the effects of falling risk-free rates. The regulatory and economic uncertainty during the period, and the increased likelihood of a "no deal" Brexit, have also contributed to the downward movement in the Group's share price.

Since the end of June we have taken further steps to improve our capital ratio, including a transaction with RGA to increase the existing longevity reinsurance programme in relation to our DB liabilities. This additional reinsurance is effective from 1 July 2019. Since the end of June we have also made a £70m increase in our SCR in preparation for adjustments to the treatment of LTMs within our internal model. Our £200m revolving credit facility remains undrawn and available to support our business, and our Insurer Financial Strength rating of A+ was re-affirmed by Fitch in July 2019.

It is unusual to comment on the potential impact of an ongoing consultation process. However we are aware that the PRA's consultation CP7/19 on the final form of SS3/17 for Lifetime Mortgages is causing significant uncertainty for many investors. We cannot remove this uncertainty but can share that based on our internal estimates as to the potential outcomes, for our capital planning we have assumed an increase in SCR of c.£130m on existing business will arise from these changes. The full amount of this increase would be effective at year-end 2021, giving us time to adapt to the increased requirement. The estimated impact on SCR would be in addition to the cost to our matching adjustment from the phasing in of the Effective Value Test ("EVT") to 13/1 by 2021. Like any ongoing consultation there is a risk that the outcome could be higher or lower.

It is important to note that there continue to be a number of capital management actions available to us which can offset regulatory changes. We have shown a pro forma solvency ratio of 152%, which represents the solvency coverage ratio of 149% adjusted for a £118m increase to our solvency surplus from DB longevity reinsurance, partly offset by the £70m increase in our SCR in preparation for adjustments to the treatment of LTMs within our internal model.

We will continue to update the market on the potential impact of SS3/17 as clarity emerges.

COLLEAGUES

The members of the Board extend their thanks to Rodney Cook, who led the Group though an extraordinary period of growth and change following his appointment as CEO of Just Retirement in 2010. Rodney stepped down from the Board in April 2019 and all of us at Just Group wish him the very best for his retirement. We are delighted to have announced the appointment of our new Group Chief Financial Officer, Andy Parsons, who will join the Group in January 2020.

The Board was deeply saddened to learn in July of the death of Michael Deakin, one of the Group's Non-Executive Directors. Michael was a trusted and valued Board colleague and his contribution to our business has been significant. He will be greatly missed.

AGM RESULT

At the Group's AGM, held on 13 June 2019, a number of shareholders voted against resolutions 3 (To re-elect Chris Gibson-Smith as a Director of the Company), 14 (To renew the authority to allot shares) and 16 (To renew the authority to grant additional power to dis-apply pre-emption rights), with the result that such resolutions fell below the 80% threshold. In accordance with the Investment Association guidelines, the Board is in the process of consulting and engaging with shareholders to understand and discuss the reasons why they voted against these resolutions. An update will be provided within six months of the AGM, in accordance with the 2018 UK Corporate Governance Code.

DIVIDENDS

We have stated previously that we expected to recommence dividend payments for the 2019 financial year at a rebased level of around one third of the amount paid in 2017. Regulatory and economic uncertainty mean the directors are not recommending the payment of an interim dividend. We will revisit our dividend policy with our full year results, informed by our capital position and the outlook at that time.

OUTLOOK

We continue to operate good businesses and are well positioned in attractive markets. We are proud of our excellent customer service record, which is delivering a "Just" experience to those at and in-retirement. However, we recognise the need to continue to improve capital efficiency, and to respond to the evolving regulatory environment. The Board remains focused on delivering organic capital generation by 2022, while in parallel developing other strategic and business options to enhance shareholder value, with no options excluded.

DAVID RICHARDSON

Interim Group Chief Executive Officer

Business Review

The Business Review presents the results of the Group for the period ended 30 June 2019, including IFRS and Solvency II information.

Within the Business Review, the Group has presented a number of alternative performance measures ("APMs"), which are used in addition to IFRS statutory performance measures. The Board believes that the use of APMs gives a more representative view of the underlying performance of the Group. The APMs used by the Group are: new business operating profit, in-force operating profit, underlying operating profit, adjusted operating profit before tax, Retirement Income sales, adjusted earnings per share, pro forma Solvency II capital position, embedded value per share and economic capital coverage ratio. Further information on APMs can be found in the glossary together with a reference to where the APM has been reconciled to the nearest statutory equivalent.

KEY PERFORMANCE INDICATORS

The Board has adopted the following metrics, which are considered to give an understanding of the Group's underlying performance drivers. These measures are referred to as key performance indicators ("KPIs"). The Board regularly reviews the KPIs against our strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress.

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Change %
Retirement Income sales	**831.3**	1,179.4	(30)
New business operating profit	**73.7**	120.6	(39)
In-force operating profit	**40.5**	35.3	15
Adjusted operating profit before tax	**75.5**	124.4	(39)
IFRS profit before tax	**125.3**	45.7	174

	30 June 2019 £m	31 December 2018 £m	Change %
IFRS net assets	**2,133.2**	1,663.8	28
Solvency II capital coverage ratio[1]	**149%**	136%	10
Economic capital coverage ratio[2]	**230%**	256%	(10)

1 This figure allows for a notional recalculation of TMTP as at 30 June 2019 and as at 31 December 2018. The Group's regulatory solvency coverage ratio as at 30 June 2019 was 145% (regulatory solvency coverage ratio as at 31 December 2018: 144%). The estimated pro forma solvency coverage ratio as at 30 June 2019 including adjustment for the DB longevity reinsurance transaction and expected impact of changes to the internal model, and including a notional recalculation of TMTP, is 152%.

2 The Economic capital coverage ratio at 30 June 2019 has been impacted by actions taken to manage the Solvency II exposure of the balance sheet. The Economic capital coverage ratio is of decreasing relevance to the management of the business and its continuation as a KPI is under review.

The Group's KPIs are discussed in more detail in the following pages.

ADJUSTED OPERATING PROFIT (KPI)

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Change %
New business operating profit	**73.7**	120.6	(39)
In-force operating profit	**40.5**	35.3	15
Underlying operating profit	**114.2**	155.9	(27)
Operating experience and assumption changes	**(1.9)**	3.8	(150)
Other Group companies' operating results	**(7.2)**	(6.9)	4
Development expenditure	**(3.9)**	(4.9)	(20)
Reinsurance and finance costs	**(25.7)**	(23.5)	9
Adjusted operating profit before tax[1]	**75.5**	124.4	(39)

1 See reconciliation to IFRS profit before tax in the IFRS results section of this Business Review.

Adjusted operating profit before tax (KPI)

The 39% decrease in adjusted operating profit before tax from £124.4m for the six months ended 30 June 2018, to £75.5m for the six months to 30 June 2019, is mainly driven by the planned reduction in new business written during the period, part of our continued focus on capital efficiency.

New business operating profit (KPI)

New business operating profit has decreased by 39%, from £120.6m for the six months ended 30 June 2018 to £73.7m for the six months ended 30 June 2019. This is a function of both sales and margins. Retirement Income sales decreased by 30% compared to the prior period, from £1,179.4m for the six months ended 30 June 2018, to £831.3m for the six months ended 30 June 2019, and the overall margin achieved for the period was 8.9% (six months ended 30 June 2018: margin of 10.2%). The reduction in margin by c.2 percentage points from 11.2% in 2018 is in line with expectations advised in our full year results, reflecting the changes to property assumptions at 31 December 2018 and reductions to LTM backing ratios, durations and loan-to-values.

In-force operating profit (KPI)

In-force operating profit represents the margin emerging from the growing book of in-force business, together with the return earned on the Group's surplus assets and has increased compared to the comparative period. This has benefitted from the higher amount and an improved investment return earned on surplus assets.

Underlying operating profit

The decrease in underlying operating profit is due to the movements in new business operating profit and in-force operating profit as explained above.

Operating experience and assumption changes

A full basis review was completed during 2018 and the Group updated its IFRS mortality and mortgage voluntary redemptions assumptions at 31 December 2018. Operating experience variances and assumption changes for the six months ended 2019 gave a small negative of £1.9m (six months ended 30 June 2018: positive £3.8m). The variances mainly arose in relation to Retirement Income and mortgage mortality, partly offset by a small positive expense variance. The next annual review of the basis will be completed for the 2019 year end.

Other Group companies' operating results

The operating result for other Group companies was a loss of £7.2m for the six months to 30 June 2019 compared to a loss of £6.9m for the six months to 30 June 2018. The effect of actions taken to reduce our cost base will come through during the second half of the year.

Development expenditure

Development expenditure mainly relates to product development and new initiatives. These include the Just for You Lifetime Mortgage range, which gives additional flexibility to take a cash lump sum, or release cash as and when it is needed from a pre-agreed facility, or to choose to service some or all of the monthly interest, and the Secure Lifetime Income solution for investment platforms, which enables advisers to offer a guaranteed income for life product within a SIPP, making it easier to create a blended drawdown / guaranteed income for life income solution, both of which are now available to new customers.

Reinsurance and finance costs

The increase in reinsurance and finance costs for the period relates to the coupon on the Restricted Tier 1 notes, paid in April 2019. On a statutory IFRS basis this is accounted for as a distribution of capital, consistent with the classification of the Restricted Tier 1 notes as equity, but is included as an interest cost on an adjusted operating profit basis.

RETIREMENT INCOME SALES (KPI)

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**512.3**	718.1	(29)
Guaranteed Income for Life Solutions ("GIfL")	**287.9**	426.5	(32)
Care Plans ("CP")	**31.1**	34.8	(11)
Retirement Income sales	**831.3**	1,179.4	(30)

As part of the commitment to making our business more capital efficient, including via the reduction of new business capital strain, the Group has taken steps during the first half of 2019 to reduce new business volumes, and this is reflected in the Retirement Income sales shown in the table above. Retirement Income sales for the six months ended 30 June 2019 were 30% lower at £831.3m (six months ended 30 June 2018: £1,179.4m).

DB sales were £512.3m for the six months ended 30 June 2019 (six months ended 30 June 2018: £718.1m), a decrease of 29%. As mentioned above, this reduction in volumes is in line with plan, and our DB sales pipeline remains strong.

GIfL sales decreased by 32% to £287.9m for the six months ended 30 June 2019, compared to £426.5m for the six months ended 30 June 2018. This is in line with planned GIfL new business levels.

Care Plan sales for the six months ended 30 June 2019 were £31.1m, down slightly from prior period sales of £34.8m. The Group closed its US care unit, which had been loss-making, in April 2019.

OTHER NEW BUSINESS SALES

Drawdown sales were £26.4m for the six months ended 30 June 2019 (six months ended 30 June 2018: £23.9m). The Group is in the process of outsourcing its income drawdown service, and has closed its Flexible Pension Plan product to new business from July 2019. Our Protection product was closed to new business during the last quarter of 2017, therefore there are no sales for the six months to 30 June 2019. These closures reflect our commitment to capital efficiency and improving shareholder returns.

Lifetime mortgage advances were £155.8m for the six months ended 30 June 2019 (six months ended 30 June 2018: £312.7m), a decrease of 50%. The reduction in volumes mirrors the reduction in Retirement Income sales, but also reflects changes in consumer demand and increased levels of competition in the LTM market. We continue to focus on less capital-intensive LTMs, reducing expected loan-to-value ratios through interest serviced mortgage products, and targeting older borrowers.

We propose to exclude LTMs from new business sales in future, since they represent an investment rather than revenue item.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on adjusted operating profit after attributed tax) shows a 43% decrease compared to the prior period, reflecting the decrease in operating profit described above. Consistent with adjusted operating profit before tax, the coupon paid on the Restricted Tier 1 notes during the period is taken into account within adjusted operating profit after attributed tax.

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Earnings £m	**Weighted average number of shares million**	**Earnings per share pence**	Earnings £m	Weighted average number of shares million	Earnings per share pence
Adjusted	**61.2**	**986.7**	**6.20**	100.8	932.5	10.81

CAPITAL MANAGEMENT

Just Group plc estimated Solvency II capital position (KPI)

The Group has approval to apply the matching adjustment ("MA"), volatility adjustment ("VA") and transitional measures for technical provisions ("TMTP") in its calculation of technical provisions and uses a combination of an internal model and the standard formula to calculate its Group Solvency Capital Requirement ("SCR").

The Group's Solvency II position was as follows:

Unreviewed	**30 June 2019[1] £m**	31 December 2018[1] £m
Own funds	**2,561**	2,172
Solvency Capital Requirement	**(1,721)**	(1,595)
Excess own funds	**840**	577
Solvency coverage ratio	**149%**	136%

1 These figures allow for a notional recalculation of TMTP.

In the first quarter of 2019, the Group strengthened its regulatory balance sheet by issuing a total of £375m of new capital before costs, via a £75m share placing and £300m of Restricted Tier 1 ("RT1") notes. We have also taken steps to reduce new business strain and the cost base. The movement in excess own funds across the period is shown in the table below. The impact of the new capital in the period has been partly offset by adverse economic variances, primarily due to the fall in property values over the period. In the short term, economic uncertainty in relation to the impact of the UK's withdrawal from the European Union may lead to further volatility in risk-free rates and property values. Sensitivities to these and other key metrics are shown below.

The Group is considering the regulatory treatment for its pilot NNEG hedging instrument, in order to allow larger scale transfer of the NNEG risk and mitigate the impact of changes in property growth rates in both the regulatory and IFRS balance sheets. Once the treatment of the pilot is established, significant further NNEG hedging potential exists. This will likely only be possible to complete once the outcome of CP7/19 has been finalised. The Group's NNEG hedge is disclosed in Note 12, Derivative Financial Instruments.

The June 2019 solvency coverage ratio includes six months' amortisation of TMTP and includes the impact of a notional TMTP recalculation as at 30 June 2019. The impact of this recalculation is an increase in the Group solvency ratio of 4 percentage points from 145% to 149%.

The profile of Solvency II surplus emerging from in-force business is shown in the "Additional financial information" section of this interim report.

Pro forma Solvency II capital position

In order to provide additional information on its capital position, the Group has presented an alternative performance measure, pro forma Solvency II information, to show the impact of reinsurance and internal model changes. The Group has recently signed an agreement with RGA to increase its existing DB longevity reinsurance programme, effective from 1 July 2019. Since 30 June we have also made a £70m increase in our SCR in preparation for adjustments to the treatment of LTMs within our internal model.

The reconciliation of the estimated Solvency II capital position at 30 June 2019 to the estimated pro forma Solvency II capital position is as follows:

Unreviewed	**Own funds £m**	**Solvency Capital Requirement £m**	**Excess own funds £m**	**Solvency coverage ratio %**
As at 30 June 2019[1]	**2,561**	**(1,721)**	**840**	**149%**
Additional DB reinsurance	49	69	118	
Internal model changes	-	(70)	(70)	
Pro forma[1]	**2,610**	**(1,722)**	**888**	**152%**

1 These figures allow for a notional recalculation of TMTP.

Movement in excess capital resources[1]

The table below analyses the movement in excess own funds, in the six months to 30 June 2019.

Unreviewed	£m	£m
Excess own funds at 31 December 2018		577
Operating		
In-force surplus net of TMTP amortisation[3]	72	
New business strain	(47)	
Finance cost	(25)	
Expenses	(22)	
Other	(14)	
Total organic capital consumption[2]		**(36)**
Non-operating		
Accelerated TMTP amortisation[3]		(21)
Economic movements and sensitivities		(48)
RT1 and equity issuance, net of costs		368
Excess own funds at 30 June 2019		**840**

1 All figures are net of tax, and allow for a notional recalculation of TMTP as at 30 June 2019.

2 Organic capital consumption includes surplus from in-force, new business strain, overrun and other expenses, interest & dividends and other operating items. It excludes economic variances and accelerated TMTP amortisation.

3 The in-force line excludes the accelerated amortisation of a portion of TMTP (as noted in the Solvency Financial Condition Report) which has been shown separately.

Estimated Group Solvency II sensitivities

Unreviewed	At 30 June 2019[1] %	At 30 June 2019[1] £m
Solvency coverage ratio/excess own funds	149	840
-50 bps fall in interest rates (no TMTP recalculation)	-24	(368)
-50 bps fall in interest rates (with TMTP recalculation)[2]	-7	(56)
+100 bps credit spreads	-2	(28)
+10% LTM early redemption	2	6
-10% property values (with TMTP recalculation)	-20	(312)
-5% mortality[3]	-14	(222)

1 This figure allows for a notional recalculation of TMTP.

2 Additional interest rate hedging since 30 June 2019 has reduced the go forward interest rate sensitivity to £(21)m, equivalent to a 5 percentage point reduction in solvency coverage ratio

3 Mortality sensitivity post the impact of DB reinsurance is £(199)m, equivalent to a 14 percentage point reduction in solvency coverage ratio

Reconciliation of IFRS total equity to Solvency II own funds

Unreviewed	30 June 2019[1] £m	31 December 2018[2] £m
Total equity on IFRS basis	**2,133**	1,664
Goodwill	**(34)**	(34)
Intangibles	**(127)**	(137)
Solvency II risk margin	**(971)**	(851)
Solvency II TMTP	**1,840**	1,738
Other valuation differences and impact on deferred tax	**(863)**	(793)
Ineligible items	**(6)**	(6)
Subordinated debt	**589**	590
Group adjustments	**–**	1
Solvency II own funds	**2,561**	2,172
Solvency II SCR	**(1,721)**	(1,595)
Solvency II excess own funds	**840**	577

1 These figures allow for a notional recalculation of TMTP as at 30 June 2019.

2 These figures allow for a notional recalculation of TMTP as at 31 December 2018.

EMBEDDED VALUE PER SHARE

Embedded value per share at 30 June 2019 was 210p per share (31 December 2018: 206p per share, 195p per share including pro forma impact of the equity placing in March 2019).

IFRS RESULTS

The tables on the following pages present the Group's results on a statutory IFRS basis.

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Adjusted operating profit before tax	**75.5**	124.4
Non-recurring and project expenditure	**(6.3)**	(7.6)
Implementation of cost saving initiatives	**(5.0)**	-
Investment and economic profits/(losses)	**68.1**	(58.7)
Adjustment to reflect IFRS accounting for RT1 as equity	**2.8**	–
Amortisation and impairment costs	**(9.8)**	(12.4)
IFRS profit before tax (KPI)	**125.3**	45.7

Adjusted operating profit before tax

The underlying trends in the components of adjusted operating profit before tax are explained above.

Non-recurring and project expenditure

Non-recurring and project expenditure was £6.3m for the period ended 30 June 2019 (six months ended 30 June 2018: £7.6m) and relates to a number of projects across the Group including costs associated with the new capital raised in the first quarter of the year and preparations for the new Insurance Contracts accounting standard, IFRS 17.

Implementation of cost saving initiatives

These relate to our cost control project to optimise the business model. The Group is making good progress, and has completed a number of actions during the first half of the year, including simplifying our senior management structure, business process optimisation, rationalisation of our property footprint and closure of our US Care and Flexible Pension Plan products. Full year 2019 recurring core management expenses are expected to be 10% lower than 2018, a total expected saving of over £16m. These management expenses are currently primarily allocated to acquisition expenses. The total cost expected to be incurred during 2019 to achieve the recurring savings is £15m.

Investment and economic profits/losses

Investment and economic profits were £68.1m (six months ended 30 June 2018: losses of £58.7m), mainly reflecting the impact of a decrease in risk-free rates and narrowing of credit spreads, offset by negative property growth experience during the period. By contrast, the prior period experienced an increase in risk-free rates and widening of credit spreads. There were no corporate bond defaults within our portfolio during the period.

Amortisation

Amortisation mainly relates to the acquired in-force business asset relating to Partnership Assurance Group plc of £142.7m, which is being amortised over 10 years in line with the expected run-off of the in-force business, with an amortisation charge of £7.1m for the period (six months ended 30 June 2018: £7.1m). Some of the intangible assets acquired on acquisition of Partnership Assurance Group plc have become fully amortised during the period.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The table below presents the Condensed consolidated statement of comprehensive income for the Group, with key line item explanations.

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Gross premiums written	**832.8**	1,181.2
Reinsurance premiums ceded	**2.5**	(6.5)
Reinsurance recapture	**180.7**	379.4
Net premium revenue	**1,016.0**	1,554.1
Net investment income	**1,014.5**	(104.5)
Fee and commission income	**6.1**	3.2
Total revenue	**2,036.6**	1,452.8
Net claims paid	**(416.7)**	(353.9)
Change in insurance liabilities	**(1,268.2)**	(790.7)
Change in investment contract liabilities	**(7.9)**	(1.3)
Acquisition costs	**(14.1)**	(27.3)
Other operating expenses	**(110.5)**	(128.8)
Finance costs	**(93.9)**	(105.1)
Total claims and expenses	**(1,911.3)**	(1,407.1)
Profit before tax	**125.3**	45.7
Income tax	**(23.2)**	2.4
Profit after tax	**102.1**	48.1

Gross premiums written

Gross premiums written for the six months ended 30 June 2019 fell by 29% to £832.8m (six months ended 30 June 2018: £1,181.2m). The decrease reflects steps taken by the Group during the first half of 2019 to reduce new business volumes as part of the commitment to making our business more capital efficient, including via the reduction of new business capital strain.

Net premium revenue

Net premium revenue fell by 35% from £1,554.1m for the six months ended 30 June 2018, to £1,016.0m for the six months ended 30 June 2019, including the impact of the reinsurance recaptures made during the period, and reinsurance premiums ceded.

Net investment income

Net investment income was £1,014.5m for the six months ended 30 June 2019 (six months ended 30 June 2018: expense of £104.5m). The main components of investment income are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. Interest earned on the Group's fixed income assets increased slightly, in line with the size of the Group's assets. Decreases in risk-free rates and narrowing credit spreads have given rise to large unrealised gains on the Group's corporate bond and mortgage portfolios during the current period. Overall the movement in fair value included within net investment income for the six months ended 30 June 2019 was a gain of £636.1m, compared to a loss of £345.8m for the six months ended 30 June 2018. The current period movement represents a reversal of unrealised losses from previous periods. There were no corporate bond defaults during the period.

Net claims paid

Net claims paid increased by £62.8m, from £353.9m for the six months ended 30 June 2018 to £416.7m for the six months ended 30 June 2019, reflecting the growth of the in-force book.

Change in insurance liabilities

The change in insurance liabilities was £1,268.2m for the current period, compared to £790.7m for the six months ended 30 June 2018. The change for the period reflects the growth in insurance liabilities as well as the impact of reinsurance recaptures and movements in risk-free rates as noted above.

Acquisition costs

Acquisition costs have decreased by £13.2m from £27.3m for the six months ended 30 June 2018 to £14.1m for the six months ended 30 June 2019 mainly reflecting the lower level of new business written during the period.

Other operating expenses

Other operating expenses decreased by £18.3m from £128.8m for the six months ended 30 June 2018 to £110.5m for the six months ended 30 June 2019, mainly as a result of a Group-wide initiative to optimise business processes and the reduction in non-recurring and project expenditure.

Finance costs

Finance costs decreased by £11.2m from £105.1m for the six months ended 30 June 2018 to £93.9m for the six months ended 30 June 2019. The main driver for the decrease is a reduction in interest on reinsurance deposits, which has fallen in line with the planned recaptures which have been made. In addition, the current period includes a full six months' worth of interest on the Just Group plc Tier 3 subordinated debt, issued in February 2018. Note that the coupon paid on the Restricted Tier 1 notes is not included within finance costs in the statutory IFRS income statement, because these are recognised as a capital distribution directly within equity.

Income tax

Income tax for the six months ended 30 June 2019 was a charge of £23.2m (six months ended 30 June 2018: credit of £2.4m), with an effective tax rate of 18.52% (six months ended 30 June 2018: effective tax rate of (5.25)%). The tax credit and effective tax rate for the prior period was driven by one-off adjustments relating to tax paid in prior periods. Without these one-off adjustments the effective tax rate for the prior period would have been 22.3%.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below presents selected items from the Condensed consolidated statement of financial position, with key line item explanations below. The information below is extracted from the statutory consolidated statement of financial position.

	30 June 2019 £m	31 December 2018 £m
Assets		
Financial investments	**20,720.5**	19,252.5
Reinsurance assets	**4,080.0**	4,239.2
Other assets	**666.6**	454.1
Total assets	**25,467.1**	23,945.8
Share capital and share premium	**262.4**	188.6
Tier 1 notes	**293.8**	-
Other reserves	**885.5**	885.5
Accumulated profit and other adjustments	**691.5**	589.7
Total equity	**2,133.2**	1,663.8
Liabilities		
Insurance liabilities	**18,384.0**	17,273.8
Other financial liabilities	**4,021.4**	4,063.3
Insurance and other payables	**78.5**	78.3
Other liabilities	**850.0**	866.6
Total liabilities	**23,333.9**	22,282.0
Total equity and liabilities	**25,467.1**	23,945.8

Financial investments

During the six months, financial investments increased by £1.4bn from £19.3bn at 31 December 2018 to £20.7bn at 30 June 2019. The increase is a result of investing the Group's new business premiums into corporate bonds, gilts, loans secured by mortgages, and other fixed income investments, and due to the effect of decreases in risk-free rates during the period. The credit quality of the corporate bond portfolio remained in line with prior periods, with 57% of the Group's corporate bond and gilts portfolio rated A or above (31 December 2018: 60%) and it is well diversified across a range of industry sectors. The loan-to-value ratio of the mortgage portfolio at 30 June 2019 was 34.1% (31 December 2018: 32.5%), and the percentage of lifetime mortgages reduced from 37.4% to 36.9% of financial investments.

The following table provides a breakdown by credit rating of financial investments.

	30 June 2019 £m	**30 June 2019 %**	31 December 2018 £m	31 December 2018 %
AAA[1]	**1,995.3**	**9.6**	1,798.9	9.3
AA[1] and gilts	**1,711.5**	**8.3**	1,799.8	9.3
A	**3,449.0**	**16.6**	3,151.1	16.4
BBB	**4,713.5**	**22.7**	4,072.0	21.1
BB or below	**129.4**	**0.6**	208.2	1.1
Unrated	**1,098.1**	**5.3**	1,031.0	5.4
Lifetime mortgages	**7,623.7**	**36.9**	7,191.5	37.4
Total	**20,720.5**	**100.0**	19,252.5	100.0

1 Includes units held in liquidity funds.

The sector analysis of the Group's financial investments portfolio at 30 June 2019 is shown below and continues to be well diversified across a variety of industry sectors.

	30 June 2019 £m	**30 June 2019 %**	31 December 2018 £m	31 December 2018 %
Basic materials	**340.6**	**1.6**	272.4	1.4
Communications	**1,144.9**	**5.5**	963.8	5.0
Auto manufacturers	**446.5**	**2.2**	319.4	1.7
Consumer	**1,087.1**	**5.2**	878.3	4.6
Energy	**361.8**	**1.7**	313.1	1.6
Banks	**1,949.0**	**9.5**	1,855.7	9.6
Derivatives and collateral	**313.3**	**1.5**	230.6	1.1
Insurance	**735.7**	**3.6**	733.9	3.8
Financial – other	**837.8**	**4.0**	936.3	4.9
Government	**1,128.3**	**5.4**	1,253.3	6.5
Industrial	**553.1**	**2.7**	447.4	2.3
Utilities	**1,662.9**	**8.0**	1,512.1	7.9
Liquidity funds	**1,015.6**	**4.9**	882.5	4.6
Lifetime mortgages	**7,623.7**	**36.9**	7,191.5	37.4
Commercial mortgages	**414.6**	**2.0**	392.3	2.0
Infrastructure loans	**895.9**	**4.3**	858.9	4.5
Other	**209.7**	**1.0**	211.0	1.1
Total	**20,720.5**	**100.0**	19,252.5	100.0

Reinsurance assets
Reinsurance assets decreased from £4.2bn at 31 December 2018 to £4.1bn at 30 June 2019. The decrease mainly relates to planned reinsurance recaptures during the period. The Group has increased its use of reinsurance swaps rather than quota share treaties following the introduction of Solvency II.

Other assets
Other assets mainly comprise cash and cash equivalents, and intangible assets.

Insurance liabilities
Insurance liabilities increased from £17.3bn at 31 December 2018 to £18.4bn at 30 June 2019. The increase in liabilities arose as a result of new insurance business written less claims paid, and from the effect of falling long-term interest rates.

Other financial liabilities
Other financial liabilities decreased from £4.1bn at 31 December 2018 to £4.0bn at 30 June 2019. These liabilities are mainly reinsurance-related and include deposits received from reinsurers, reinsurance financing and other reinsurance-related balances. The change in the financial liability mainly reflects reinsurance recaptures in the period.

Insurance and other payables
Insurance and other payables marginally increased by £0.2m from £78.3m at 31 December 2018 to £78.5m at 30 June 2019. This change was mainly due to the timing of settlement of investment transactions which have been settled after the period end.

Other liabilities

Other liability balances decreased by £16.6m from £866.6m at 31 December 2018 to £850.0m at 30 June 2019. A reduction in accruals at the period end has been partly offset by the recognition of a lease liability on first-time adoption of IFRS 16, Leases.

IFRS net assets (KPI)

The Group's total equity at 30 June 2019 was £2,133.2m, £469.4m higher than at 31 December 2018. The growth in net assets mainly reflects the Restricted Tier 1 notes issued in March 2019, which are recognised within equity, £293.8m, net of issue costs and the IFRS profit after tax of £125.3m for the period. Total equity attributable to ordinary shareholders increased by £176.1m, from £1,664.4m at 31 December 2018 to £1,840.5m at 30 June 2019.

DIVIDENDS

We have stated previously that we expected to recommence dividend payments for the 2019 financial year at a rebased level of around one third of the amount paid in 2017. Regulatory and economic uncertainty mean the directors are not recommending the payment of an interim dividend. We will revisit our dividend policy with our full year results, informed by our capital position and the outlook at that time.

DAVID RICHARDSON

Interim Group Chief Executive Officer

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

Purpose
We use risk management to make better informed business decisions that generate value for shareholders while delivering appropriate outcomes for our customers and providing confidence to other stakeholders. Our risk management processes are designed to ensure that our understanding of risk underpins how we run the business.

Risk framework
Our risk management framework is continually developed to reflect our risk environment and emerging best practice. The framework, owned by the Group Board, covers all aspects of risk management, including risk governance, reporting and policies. Our appetite for different types of risk is embedded across the business to create a culture of confident risk taking.

Risk evaluation and reporting
We evaluate our risks and decide how best to manage them within our risk appetite. Management regularly reviews its risks and produces reports to provide assurance that material risks in the business are being appropriately mitigated. The Risk function, led by the Group Chief Risk Officer ("GCRO"), challenges the management team on the effectiveness of its risk evaluation and mitigation. The GCRO provides the Group Risk and Compliance Committee with his independent assessment of the principal risks to the business.

Financial risk modelling is used to assess the amount of each risk type against our capital risk appetite. This modelling is principally aligned to our regulatory capital metrics. This modelling allows the Board to understand both the risks included in the Solvency Capital Requirement ("SCR") and those not included in the SCR, such as liquidity and strategic risks, and how they translate into regulatory capital needs. By applying stress and scenario testing, we gain insights into how risks might impact the Group in different circumstances.

Own Risk and Solvency Assessment
The Group's Own Risk and Solvency Assessment ("ORSA") embeds comprehensive risk reviews into our Group management structure. Our annual ORSA report is a key part of our business cycle and informs strategic decision making. ORSA updates are prepared each quarter to keep the Board appraised of the Group's evolving risk profile.

Principal Risks and Uncertainties

DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
Risks from our chosen market environment	
Strategic objective* 1 2 5	
Change in the period – No change	**Risk outlook** – Stable
The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital. Customers' need for a secure income in retirement continues and the Group expects that demand for guaranteed income for life solutions will continue. The availability to insurers of Defined Benefit De-risking transactions is expected to grow. The equity release market has been dominated by a limited number of specialist providers but new entrants – both providers and funders – have emerged along with new product launches and the intensity of competition has increased. The equity release asset class provides good cash-flow matching for the Group's longer duration DB de-risking and GIfL liabilities, where suitable longer duration corporate or government bonds or other appropriate assets are scarce.	Our approach to legislative change is to participate actively and engage with policymakers. The Group offers a range of retirement options, allowing it to remain agile in this changing environment, and has flexed its offerings in response to market dynamics. We believe we are well placed to adapt to changing customer demand, supported by our brand promise, innovation credentials and financial strength. The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour. Work continues to improve the customer appeal of the Group's equity release products, explore new product variants and meet distributors' digital and service needs.

Risks from our pricing assumptions

Strategic objective* 3 4

Change in the period – No change

Risk outlook – Stable

Writing long-term DB de-risking, GIfL and equity release business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, corporate bond yields, interest rates, property values and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches.

Experience may differ materially from the Group's assumptions on these risk factors, requiring them to be recalibrated. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position.

To manage the risk of our longevity assumptions being incorrect, the Group has the benefit of extensive underwritten mortality data to provide insights and enhanced understanding of the longevity risks that the Group chooses to take.

Longevity and other decrement experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving assumptions for all products.

Some longevity risk exposure is shared with reinsurance partners, who perform due diligence on the Group's approach to risk selection. There is a related counterparty risk of a reinsurer not meeting its repayment obligations. This risk is typically mitigated through the reinsurer depositing the reinsurance premiums back to the Group or into third party trusts and by collateral arrangements.

For equity release, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial loan-to-property value ratio, supported by product design features, limiting specific property types and exposure to each region. We also monitor the exposure to adverse house price movements and the accuracy of our indexed valuations.

Risks from regulatory changes

Strategic objective* 1 3 4 5

Change in the period – No change

The financial services industry continues to see a high level of regulatory activity and intense regulatory supervision. The regulatory agenda for the coming year covers many areas directly relevant to the Group.

On 3 April 2019, the Prudential Regulation Authority ("PRA") published CP7/19 following on from PS31/18, which updated SS3/17 in respect of the valuation of no-negative equity guarantees ("NNEG") in equity release mortgages ("ERMs"). CP7/19 sets out a number of proposals specific to the Effective Value Test ("EVT"). Just has some concerns around the proposals and whilst we have taken into account some of the anticipated changes, the outcome remains uncertain until the results of the consultation are published later this year. The PRA's proposals are due to take effect from 31 December 2019, subject to a two year phase-in period.

The PRA has published further supervisory statements in relation to Solvency II relating to liquidity risk frameworks and is expected to issue a Consultation Paper on the Prudent Person Principle relating to investment management. It is too early to fully understand if there will be any implications on Just's future investment strategy.

The regulatory focus on sustainable finance, particularly the impact that climate change could have on the safety and soundness of firms and the stability of the financial system, may accelerate the actions of market participants with an impact on the availability and attractiveness of certain securities. The PRA has issued a supervisory statement on preparing for the impacts of climate change.

The ultimate terms of the UK's exit from the EU could have consequences for the regulations and legislation that apply to Just's operations particularly in respect to the onshoring of Solvency II. We will continue to monitor regulatory changes post-Brexit, notably Solvency II, although significant divergence is not expected.

Risk outlook – Increasing

We monitor and assess regulatory developments on an on-going basis. We actively seek to participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any required changes effectively, and to deliver better outcomes for our customers and competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allow for contingencies should outcomes differ from our expectations. The Group also keeps under regular review the possible need to reduce new business volumes or close to new business.

A key focus for the Group is addressing the expectations of the updated SS3/17 which will come into effect on 31 December 2019, whilst maintaining the confidence of our stakeholders. This includes using our capital wisely.

Any changes to the regulatory environment as a result of the UK's withdrawal from the EU are being monitored.

Just has an approved partial internal model to calculate a Group Solvency Capital Requirement, and intends to progress an internal model major change application for Partnership Life Assurance Company Limited to use the Group internal model.

The outcome of the European Commission's review of Solvency II regulations may have an impact on how Solvency II continues to be applied in the UK even in a post-Brexit world. We are monitoring developments.

Just is considering the impact of climate risks both in terms of the impact on its investment portfolio of a transition to a low-carbon economy as well as the impact of physical risks to the properties securing its Lifetime Mortgage portfolio.

It is anticipated that the UK's withdrawal from the EU will have limited direct impact on the Group as it and its customers and policyholders are predominantly UK-based.

Risks from the economic environment

Strategic objective* 3 4 5

Change in the period – Increasing

The premiums paid by the Group's customers are invested to enable future benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities and on the income the Group receives. An adverse economic environment could increase the risk of credit downgrades and defaults in our corporate bond portfolio.

The lack of clarity regarding the UK's future trading arrangements with the EU has introduced material uncertainty for the UK's macro-economic outlook in the medium and long-term. The long-term implications of departure from the EU for the UK economy and indeed the wider economic impacts on the rest of Europe remain to be seen. The Group remains exposed to impacts that the UK's withdrawal has on the UK economy as a whole, including residential house prices - the UK's withdrawal from the EU could result in property values stagnating or falling in some, or all, UK regions.
In an environment of low interest rates, investors may be more willing to accept higher credit and liquidity risk to improve investment returns. These conditions would make it challenging to source sufficient assets to offer attractive DB de-risking and GIfL terms. Low credit spreads similarly affect the income that can be made available, although margins from our equity release portfolio help offset this risk.

Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's Defined Benefit De-risking business volumes grow, its exposure to inflation risk increases.
A fall in residential property values could reduce the amounts received from equity release redemptions and may also affect the relative attractiveness of the equity release product to customers. The regulatory capital needed to support the possible shortfall on the redemption of equity release mortgages also increases if property values drop. Conversely, significant future rises in property values could increase the incidence of early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk.

Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives. A lack of market liquidity and availability is also a risk to any intention that the Group may have to raise capital.

Risk outlook – Increasing

Economic conditions are actively monitored and alternative scenarios modelled to better understand the potential impacts of significant economic changes on the amount of capital required to be held to cover risks, and to inform management action plans. the Group's strategy is to buy and hold high-quality, lower-risk assets in its investment portfolio to ensure that it has sufficient income to meet outgoings as they fall due. Portfolio credit risk is managed by specialist fund managers executing a diversified investment strategy in investment grade assets within counterparty limits.

In a low interest rate environment, improved returns are sought by diversifying the types, geographies and industry sectors of investment assets. Such diversification creates an exposure to foreign exchange risk, which is controlled using derivative instruments. Swaps and swaptions are used to reduce exposures to interest rate volatility. The credit exposure to the counterparties with whom we transact these instruments is mitigated by collateral arrangements.

The Group's exposure to inflation risk through the Defined Benefit De-risking business is managed with inflation hedges.

Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce.

There is little short-term volatility in the Group's cash flows, which can be reliably estimated in terms of timing and amount. Regular cash flow forecasts predict liquidity levels both short term and long term and stress tests help us understand any potential periods of strain. The Group's liquidity requirements have been comfortably met over the past year and forecasting confirms that this position can be expected to continue for both investments and business operations.

Risks arising from operational processes and IT systems

Strategic objective* 1 2 3 4 5

Change in the period – No change

The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, measuring and monitoring its underwriting liabilities, processing applications and delivering customer service and maintaining accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by human error, unauthorised access, natural disaster or similarly disruptive events. Any failure of the Group's IT and communications systems and/or third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business as well as harm its reputation.

Large organisations continue to be targets for cyber-crime, particularly those organisations that hold customers' personal details. The Group is no exception and a cyber-attack could affect customer confidence, or lead to financial losses.

Risk outlook – Stable

The Group maintains a suite of risk management tools to help identify, measure, monitor, manage and report its operational risks including those arising from operational processes and IT systems. These include a risk management system, risk and control assessments, risk event management, loss reporting, scenario analysis and risk reporting through the ORSA.

The Group maintains plans and controls to minimise the risk of business disruption and information security related events. Detailed incident and crisis management plans also exist to ensure effective responses. These are supported by specialist third parties for our workplace recovery centre.

Our approach to information security is under constant review as the cyber-threat landscape evolves. Due diligence is performed on all partners to ensure that they work to the same high security standards as the Group. The Group continues to invest in its information security control environment but we recognise that the speed of change in cyber-threats means that a risk exposure remains.

Risks to the Group’s brands and reputation

Strategic objective* 1 2 3 5

Change in the period – Increasing

Our purpose is to help people achieve a better later life. Our Group’s brands reflects the way we intend to conduct our business and treat our customer and wider stakeholder groups.

The Group’s brands and reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. Damage to our brand or reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.

Additionally, the Group’s brands and reputation could be threatened by external risks such as regulatory intervention or enforcement action, either directly or as a result of contagion from other companies in the sectors in which we operate.

Risk outlook – Increasing

The Group actively seeks to differentiate its business from competitors by investing in brand-enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide to our customers. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. The Group maintains a system of internal control, and associated policies and operational procedures, which define the standards we expect of all colleagues.

*Strategic objectives

1 Grow our markets and broaden our distribution reach

2 Give customers a distinctly ‘Just’ experience every time

3 Make smart risk choices

4 Focus on strong financial management

5 Diversify our business away from any single business line or market

The Group’s strategic objectives are explained in more detail on pages 16 and 17 of the Just Group plc Annual Report and Accounts 2018

Statement of Directors' responsibilities

Each of the Directors of the Company confirms that to the best of their knowledge:

- the Condensed consolidated financial statements have been prepared in accordance with IAS 34: Interim financial reporting as adopted by the European Union;
- the interim results statement includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7, namely important events that have occurred during the period and their impact on the Condensed consolidated financial statements, as well as a description of the principal risks and uncertainties faced by the Company and the undertakings included in the Condensed consolidated financial statements taken as a whole for the remaining six months of the financial period; and
- the interim results statement includes a fair review of material related party transactions and any material changes in the related party transactions described in the last annual report as required by Disclosure and Transparency Rule 4.2.8.

By order of the Board:

DAVID RICHARDSON
Interim Group Chief Executive Officer
3 September 2019

Independent review report to Just Group plc

Conclusion

We have been engaged by Just Group plc ("the Group") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Emphasis of matter – capital

We draw attention to note 13 to the condensed set of financial statements, which notes that the Group's capital position can be adversely affected by a number of factors, in particular factors that erode the Group's capital resources and/ or which impact the quantum of risk to which the Group is exposed. Note 13 notes that the Group is engaged with the PRA on regulatory developments in relation to SS3/17, as updated by PS31/18 and CP7/19 and also on certain matters specific to the Group. This includes a review of the methodology used by the Group to determine the rating, amount and spread on the LTM notes used to enable LTM assets to be eligible for matching adjustment. Note 13 further notes that given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the aforementioned matters, which could negatively impact on the Group's capital position. Note 13 notes that as a result of these matters a risk remains that the Group could further reduce new business volumes or close to new business. Note 13 further notes that the Group recognises the need to continue to strengthen its capital position during 2019 and beyond. Our conclusion is not modified in respect of this matter.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Group in accordance with the terms of our engagement to assist the Group in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group for our review work, for this report, or for the conclusions we have reached.

Daniel Cazeaux
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom
3 September 2019

Condensed consolidated statement of comprehensive income
for the period ended 30 June 2019

	Note	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Gross premiums written		**832.8**	1,181.2	2,176.9
Reinsurance premiums ceded		**2.5**	(6.5)	(8.0)
Reinsurance recapture		**180.7**	379.4	543.3
Net premium revenue		**1,016.0**	1,554.1	2,712.2
Net investment income		**1,014.5**	(104.5)	142.6
Fee and commission income		**6.1**	3.2	8.2
Total revenue		**2,036.6**	1,452.8	2,863.0
Gross claims paid		**(613.7)**	(581.4)	(1,185.3)
Reinsurers' share of claims paid		**197.0**	227.5	435.4
Net claims paid		**(416.7)**	(353.9)	(749.9)
Change in insurance liabilities:				
Gross amount		**(1,109.0)**	(143.7)	(642.9)
Reinsurers' share		**21.5**	(267.6)	(502.8)
Reinsurance recapture		**(180.7)**	(379.4)	(543.3)
Net change in insurance liabilities		**(1,268.2)**	(790.7)	(1,689.0)
Change in investment contract liabilities		**(7.9)**	(1.3)	0.4
Acquisition costs		**(14.1)**	(27.3)	(52.4)
Other operating expenses		**(110.5)**	(128.8)	(254.8)
Finance costs		**(93.9)**	(105.1)	(202.8)
Total claims and expenses		**(1,911.3)**	(1,407.1)	(2,948.5)
Profit/(loss) before tax		**125.3**	45.7	(85.5)
Income tax	3	**(23.2)**	2.4	21.2
Profit/(loss) for the period		**102.1**	48.1	(64.3)
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of land and buildings		**–**	–	4.4
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		**0.2**	(0.3)	(0.4)
Other comprehensive income for the period, net of income tax		**0.2**	(0.3)	4.0
Total comprehensive income/(loss) for the period		**102.3**	47.8	(60.3)
Profit attributable to:				
Equity holders of Just Group plc		**102.6**	48.1	(63.7)
Non-controlling interest		**(0.5)**	–	(0.6)
Profit/(loss) for the period		**102.1**	48.1	(64.3)
Total comprehensive income/(loss) attributable to:				
Equity holders of Just Group plc		**102.8**	47.8	(59.7)
Non-controlling interest		**(0.5)**	–	(0.6)
Total comprehensive income/(loss) for the period		**102.3**	47.8	(60.3)
Basic earnings per share (pence)	4	**10.11**	5.16	(6.83)
Diluted earnings per share (pence)	4	**10.01**	5.09	(6.83)

The notes are an integral part of these financial statements.

Condensed consolidated statement of changes in equity
for the period ended 30 June 2019

1 Includes Currency translation reserve

Six months ended 30 June 2019	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Non-controlling interest £m	Total £m
At 1 January 2019	**94.1**	**94.5**	**348.4**	**532.7**	**4.4**	**(6.2)**	**596.5**	**1,664.4**	**–**	**(0.6)**	**1,663.8**
Profit for the period	–	–	–	–	–	–	**102.6**	**102.6**	–	**(0.5)**	**102.1**
Other comprehensive income for the period, net of income tax	–	–	–	–	–	–	**0.2**	**0.2**	–	–	**0.2**
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	**102.8**	**102.8**	–	**(0.5)**	**102.3**
Contributions and distributions											
Shares issued	**9.4**	**64.4**	–	–	–	–	–	**73.8**	–	–	**73.8**
Tier 1 notes issued (net of costs)	–	–	–	–	–	–	–	–	**293.8**	–	**293.8**
Dividends	–	–	–	–	–	–	**(1.2)**	**(1.2)**	–	–	**(1.2)**
Interest paid on Tier 1 notes	–	–	–	–	–	–	**(2.8)**	**(2.8)**	–	–	**(2.8)**
Share-based payments	–	–	–	–	–	–	**3.5**	**3.5**	–	–	**3.5**
Total contributions and distributions	**9.4**	**64.4**	–	–	–	–	**(0.5)**	**73.3**	**293.8**	–	**367.1**
At 30 June 2019	**103.5**	**158.9**	**348.4**	**532.7**	**4.4**	**(6.2)**	**698.8**	**1,840.5**	**293.8**	**(1.1)**	**2,133.2**

Year ended 31 December 2018	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	**Non-controlling interest £m**	**Total £m**
At 1 January 2018	93.8	94.2	348.4	532.7	–	(5.0)	676.4	1,740.5	–	–	1,740.5
Loss for the year	–	–	–	–	–	–	(63.7)	(63.7)	–	(0.6)	(64.3)
Other comprehensive income/(loss) for the year, net of income tax	–	–	–	–	4.4	–	(0.4)	4.0	–	–	4.0
Total comprehensive income/(loss) for the year	–	–	–	–	4.4	–	(64.1)	(59.7)	–	(0.6)	(60.3)
Contributions and distributions											
Shares issued	0.3	0.3	–	–	–	–	–	0.6	–	–	0.6
Dividends	–	–	–	–	–	–	(24.4)	(24.4)	–	–	(24.4)
Share-based payments	–	–	–	–	–	(1.2)	8.6	7.4	–	–	7.4
Total contributions and distributions	0.3	0.3	–	–	–	(1.2)	(15.8)	(16.4)	–	–	(16.4)
At 31 December 2018	94.1	94.5	348.4	532.7	4.4	(6.2)	596.5	1,664.4	–	(0.6)	1,663.8

Six months ended 30 June 2018	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m
Balance at 1 January 2018	93.8	94.2	348.4	532.7	(5.0)	676.4	1,740.5
Profit for the period	–	–	–	–	–	48.1	48.1
Other comprehensive loss for the period	–	–	–	–	–	(0.3)	(0.3)
Total comprehensive income for the period	–	–	–	–	–	47.8	47.8
Contributions and distributions							
Shares issued	–	0.3	–	–	–	–	0.3
Dividends	–	–	–	–	–	(23.8)	(23.8)
Share-based payments	–	–	–	–	(1.2)	4.7	3.5
Total contributions and distributions	–	0.3	–	–	(1.2)	(19.1)	(20.0)
Balance at 30 June 2018	93.8	94.5	348.4	532.7	(6.2)	705.1	1,768.3

Condensed consolidated statement of financial position
as at 30 June 2019

	Note	**30 June 2019 £m**	31 December 2018 £m	30 June 2018 £m
Assets				
Intangible assets		**160.6**	171.0	181.9
Property, plant and equipment		**29.6**	21.4	19.4
Financial investments	6	**20,720.5**	19,252.5	19,050.3
Investment in joint ventures and associates		**0.3**	0.3	0.3
Reinsurance assets	9	**4,080.0**	4,239.2	4,638.3
Deferred tax assets		**12.4**	18.6	21.3
Current tax assets		**3.7**	42.1	8.4
Prepayments and accrued income		**24.3**	67.9	62.8
Insurance and other receivables		**208.2**	18.9	19.4
Cash and cash equivalents		**227.5**	113.9	120.2
Total assets		**25,467.1**	23,945.8	24,122.3
Equity				
Share capital	7	**103.5**	94.1	93.8
Share premium	7	**158.9**	94.5	94.5
Reorganisation reserve		**348.4**	348.4	348.4
Merger reserve	7	**532.7**	532.7	532.7
Revaluation reserve		**4.4**	4.4	–
Shares held by trusts		**(6.2)**	(6.2)	(6.2)
Accumulated profit		**698.8**	596.5	705.1
Total equity attributable to ordinary shareholders of Just Group plc		**1,840.5**	1,664.4	1,768.3
Tier 1 notes	8	**293.8**	–	–
Non-controlling interest		**(1.1)**	(0.6)	–
Total equity		**2,133.2**	1,663.8	1,768.3
Liabilities				
Insurance liabilities	9	**18,384.0**	17,273.8	16,774.8
Investment contract liabilities		**199.7**	197.8	208.2
Loans and borrowings	10	**573.9**	573.4	573.3
Lease liabilities		**8.7**	–	–
Other financial liabilities	11	**4,021.4**	4,063.3	4,381.8
Deferred tax liabilities		**29.3**	32.2	34.4
Other provisions		**1.1**	0.7	0.8
Current tax liabilities		**1.7**	3.5	6.1
Accruals and deferred income		**35.6**	59.0	43.3
Insurance and other payables		**78.5**	78.3	331.3
Total liabilities		**23,333.9**	22,282.0	22,354.0
Total equity and liabilities		**25,467.1**	23,945.8	24,122.3

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 3 September 2019 and were signed on its behalf by:

DAVID RICHARDSON
Director

Condensed consolidated statement of cash flows
for the period ended 30 June 2019

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Cash flows from operating activities			
Profit/(loss) before tax	**125.3**	45.7	(85.5)
Loss on revaluation of land and buildings	**–**	–	2.9
Depreciation of property and equipment	**2.3**	0.7	1.4
Amortisation of intangible assets	**10.4**	12.6	24.7
Share-based payments	**3.5**	3.5	7.4
Interest income	**(332.9)**	(323.4)	(655.2)
Interest expense	**93.9**	105.1	202.8
Increase in financial investments	**(1,091.4)**	(578.7)	(720.2)
Decrease in reinsurance assets	**159.2**	647.0	1,046.1
Decrease/(increase) in prepayments and accrued income	**43.6**	(6.3)	(11.4)
(Increase)/decrease in insurance and other receivables	**(189.5)**	24.9	25.1
Increase in insurance liabilities	**1,110.2**	141.8	640.8
Increase/(decrease) in investment contract liabilities	**1.9**	(12.5)	(22.9)
Decrease in deposits received from reinsurers	**(164.7)**	(589.3)	(875.7)
(Decrease)/increase in accruals and deferred income	**(18.5)**	(0.4)	10.4
Increase/(decrease) in insurance and other payables	**0.2**	245.8	(7.2)
Increase/(decrease) in other creditors	**25.3**	(41.4)	(91.2)
Interest received	**186.8**	180.3	375.9
Interest paid	**(72.3)**	(83.9)	(159.2)
Taxation refunded/(paid)	**18.0**	(18.5)	(36.5)
Net cash outflow from operating activities	**(88.7)**	(247.0)	(327.5)
Cash flows from investing activities			
Additions to internally generated intangible assets	**–**	(1.0)	(2.2)
Acquisition of property and equipment	**(0.6)**	(0.5)	(0.8)
Net cash outflow from investing activities	**(0.6)**	(1.5)	(3.0)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	**73.8**	0.3	0.6
Proceeds from issue of Tier 1 notes (net of costs)	**292.5**	–	–
Increase in borrowings (net of costs)	**–**	229.0	228.5
Dividends paid	**(1.2)**	(23.8)	(24.4)
Coupon paid on Tier 1 notes	**(2.8)**	–	–
Interest paid on borrowings	**(25.1)**	(21.3)	(37.1)
Payment of lease liabilities	**(1.2)**	–	–
Net cash inflow from financing activities	**336.0**	184.2	167.6
Net increase/(decrease) in cash and cash equivalents	**246.7**	(64.3)	(162.9)
Cash and cash equivalents at start of period	**996.4**	1,159.3	1,159.3
Cash and cash equivalents at end of period	**1,243.1**	1,095.0	996.4
Cash available on demand	**227.5**	120.2	113.9
Units in liquidity funds	**1,015.6**	974.8	882.5
Cash and cash equivalents at end of period	**1,243.1**	1,095.0	996.4

The notes are an integral part of these financial statements.

Notes to the Condensed consolidated financial statements

1. BASIS OF PREPARATION

These Condensed interim financial statements comprise the Condensed consolidated financial statements of Just Group plc ("the Company") and its subsidiaries, together referred to as "the Group", as at, and for the period ended, 30 June 2019.

These Condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34: Interim Financial Reporting, as adopted by the European Union.

These Condensed interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The results for the year ended and position as at 31 December 2018 have been taken from the Group's 2018 Annual Report and Accounts, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which was approved by the Board of Directors on 14 March 2019 and delivered to the Registrar of Companies. The report of the auditor on those accounts was (i) unqualified, (ii) did not contain any statement under section 498 (2) or (3) of the Companies Act 2006, and (iii) by way of emphasis of matter, without qualifying their report, drew attention to Note 34, Capital, of the Annual Report and Accounts 2018. The results for the six month period ended 30 June 2018 have been taken from the Group's Interim Results for the six months to 30 June 2018.

The Directors are required to undertake an assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting, and to disclose any material uncertainties identified.

The Directors have considered the key assumptions underlying the preparation of accounts on a going concern basis, including the results of sensitivity analysis and possible management actions, the principal risks and uncertainties facing the business, the company's latest business plan and consequences for projections of cash flow, liquidity and regulatory solvency.

As part of their assessment of going concern at 30 June 2019, the Directors have considered matters currently under consultation and development by the PRA. These include the implementation of SS3/17, as updated by PS31/18 "Solvency II: Equity Release Mortgages", which is expected to become effective 31 December 2019, with a phase-in requirement to meet a 13% volatility and 1% deferment rate by 31 December 2021; and CP7/19 "Solvency II: Equity Release Mortgages – Part 2" which sets out proposals in relation to the process by which volatility and deferment rates will be updated, and how the effective value test applies in stress. The Board considers, including having considered the matters below, that there is no material uncertainty in relation to going concern at 30 June 2019.

The Directors have considered the following in their assessment:

- The projected liquidity position of the Group, current financing arrangements and contingent liabilities.
- A range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.
- Eligible own funds being in excess of minimum capital requirements in a combined stress scenario with a disruptive Brexit, no capital strengthening and reduced new business volumes.
- The findings of the 2018 Group Own Risk and Solvency Assessment ("ORSA").
- Risks from the open areas of PS31/18 and CP7/19.
- Risks arising from the UK's withdrawal from the European Union.
- Scenarios, including those in the ORSA, where the Company ceases to write new business. In such a run-off scenario, this included any changes required in the valuation of insurance liabilities as a result of changes in assumptions. However, in the run-off scenario the going concern basis would continue to be applicable because the Group would be continuing to trade with its existing business (for example, collect premiums and administer policies) rather than ceasing to trade.
- The Group plan, which was approved by the Board in the first quarter of 2019, and in particular the forecast regulatory solvency position calculated on a Solvency II basis, together with regular updates to the Group's Capital Plan.
- The benefit of the Restricted Tier 1 and Equity capital raised by the Group in March 2019, being a total of £375m new capital (before issue costs), which can be used to support the Group's capital requirements.

- The benefit of the reinsurance transaction entered into with RGA on 29 August 2019, to reduce Just Retirement Limited's exposure to longevity risk (and the associated capital requirements) for DB business, and which is effective from 1 July 2019.

The Directors' assessment concluded that it remains appropriate to value assets and liabilities on the assumption that there are adequate resources to continue in business and meet obligations as they fall due for the foreseeable future, being at least 12 months from the date of signing this report, including in the event of the run-off scenarios considered above. Accordingly, the going concern basis has been adopted in the valuation of assets and liabilities.

The following new accounting standards, interpretations and amendments to existing accounting standards have been adopted by the Group with effect from 1 January 2019:

- IFRS 16, Leases (effective 1 January 2019).

The Group has adopted IFRS 16, Leases, from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. On transition to IFRS 16, the Group elected to apply IFRS 16 only to contracts that were previously identified as leases under the previous accounting standard, IAS 17. The IFRS 16 definition of a lease will only be applied to contracts entered into on or after 1 January 2019.

The Group recognises right-of-use assets and lease liabilities for all leased assets except those of low value. Lease payments associated with low value leases are recognised as an expense on a straight-line basis over the lease term. The Group presents right-of-use assets within property, plant and equipment, and presents lease liabilities on the face of the statement of financial position.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group has applied judgement to determine the lease term for contracts which include renewal options or break clause options. The determined lease term reflects those options where the Group assesses the likelihood of those options being exercised to be reasonably certain.

On transition to IFRS 16, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 of 2.5%. Right-of-use assets were measured at an amount equal to the lease liability.

The impact on transition is as follows:

	1 January 2019 £m
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	(13.3)
Break clauses reasonably certain to be exercised	3.6
Discounted at the incremental borrowing rate at 1 January 2019	(0.2)
Lease liabilities recognised on transition to IFRS 16	(9.9)
Right-of-use asset presented in property, plant and equipment on transition to IFRS 16	9.9
Retained earnings	–

During the period the Group has recognised £1.4m of depreciation charges and £0.1m of interest costs from these leases.

The following new accounting standards, interpretations and amendments to existing accounting standards in issue, but not yet effective, have not been early adopted by the Group. Unless stated, the new and amended standards and interpretations are being assessed but are not expected to have a significant impact on the Group's financial statements:

- IFRS 17, Insurance Contracts (effective 1 January 2021, not yet endorsed by the EU, IASB recommended extension of implementation date to 1 January 2022).

IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their valuation, income statement presentation and disclosure. The Group has initiated a project to assess the financial and operational implications of the standard and to prepare for adoption.

The Group has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective. There are no other new accounting standards or amendments to existing accounting standards relevant to the Group effective from 1 January 2019.

2. SEGMENTAL REPORTING

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products. The underlying operating profit represents a combination of both the profit generated from new business written in the period and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience where different from that assumed at the start of the period and the impacts of changes to future operating assumptions applied in the period are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on financial instruments backing shareholder and policyholder funds after allowances for expected movements in liabilities and acquisition costs. Profits arising from the in–force book of business represent the expected average rate of return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, corporate bond defaults and, with respect to lifetime mortgages, early redemptions.

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, and restructuring costs, since these items arise outside the normal course of business in the year. Adjusted operating profit also excludes exceptional items. Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

Variances between actual and expected investment returns due to economic and market changes are also disclosed outside adjusted operating profit.

Segmental analysis

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans, Flexible Pension Plan and Protection – and invests the premiums received from these contracts in debt securities, gilts, liquidity funds and lifetime mortgage advances.

The professional services business, HUB, is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies' results. The Other segment also includes the Group's corporate activities that are primarily involved in managing the Group's liquidity, capital and investment activities.

The Group operates in one material geographical segment which is the United Kingdom.

Segmental reporting and reconciliation to financial information

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business operating profit	**73.7**	**–**	**73.7**	120.6	–	120.6
In-force operating profit	**39.3**	**1.2**	**40.5**	33.8	1.5	35.3
Underlying operating profit	**113.0**	**1.2**	**114.2**	154.4	1.5	155.9
Operating experience and assumption changes	**(1.9)**	**–**	**(1.9)**	3.8	–	3.8
Other Group companies' operating results	**–**	**(7.2)**	**(7.2)**	–	(6.9)	(6.9)
Development expenditure	**(2.5)**	**(1.4)**	**(3.9)**	(3.2)	(1.7)	(4.9)
Reinsurance and financing costs	**(23.4)**	**(2.3)**	**(25.7)**	(22.0)	(1.5)	(23.5)
Adjusted operating profit before tax	**85.2**	**(9.7)**	**75.5**	133.0	(8.6)	124.4
Non-recurring and project expenditure	**(0.9)**	**(5.4)**	**(6.3)**	(2.6)	(5.0)	(7.6)
Implementation of cost saving initiatives	**(5.0)**	**–**	**(5.0)**	–	–	–
Investment and economic profits/(losses)	**67.9**	**0.2**	**68.1**	(57.6)	(1.1)	(58.7)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**–**	**2.8**	**2.8**	–	–	–
Profit/(loss) before amortisation costs and tax	**147.2**	**(12.1)**	**135.1**	72.8	(14.7)	58.1
Amortisation costs			**(9.8)**			(12.4)
Profit before tax			**125.3**			45.7

	Year ended 31 December 2018		
	Insurance £m	Other £m	Total £m
New business operating profit	243.7	–	243.7
In-force operating profit	69.2	2.5	71.7
Underlying operating profit	312.9	2.5	315.4
Operating experience and assumption changes	(33.5)	–	(33.5)
Other Group companies' operating results	–	(14.6)	(14.6)
Development expenditure	(6.4)	(2.3)	(8.7)
Reinsurance and financing costs	(45.8)	(2.5)	(48.3)
Adjusted operating profit before tax	227.2	(16.9)	210.3
Non-recurring and project expenditure	(4.3)	(15.3)	(19.6)
Investment and economic losses	(251.0)	(1.0)	(252.0)
Loss before amortisation costs and tax	(28.1)	(33.2)	(61.3)
Amortisation costs			(24.2)
Loss before tax			(85.5)

Segmental revenue

All net premium revenue arises from the Group's insurance segment. Net investment income of £1,013.3m arose from the insurance segment and £1.2m arose from other segments (Six months ended 30 June 2018: £(105.1)m and £0.6m respectively / year ended 31 December 2018: £141.3m and £1.3m respectively). Fee and commission income of £1.5m arose from the insurance segment and £4.6m arose from other segments (Six months ended 30 June 2018: £0.4m and £2.8m respectively / Year ended 31 December 2018: £5.0m and £3.2m respectively).

Product information analysis

Additional analysis relating to the Group's products is presented below. The Group's products are from one material geographical segment which is the United Kingdom. The Group's gross premiums written, as shown in the Consolidated statement of comprehensive income, is analysed by product below:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Defined Benefit De-risking Solutions ("DB")	**512.3**	718.1	1,314.2
Guaranteed Income for Life contracts ("GIfL")	**287.9**	426.5	786.5
Care Plans ("CP")	**31.1**	34.8	72.8
Protection	**1.5**	1.8	3.4
Gross premiums written	**832.8**	1,181.2	2,176.9

Drawdown and Lifetime Mortgage ("LTM") products are accounted for as investment contracts and financial investments respectively in the statement of financial position. An analysis of the amounts advanced during the period for these products is shown below:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Drawdown	**26.4**	23.9	51.0
LTM loans advanced	**155.8**	312.7	602.1

Reconciliation of gross premiums written to new business sales

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Gross premiums written	**832.8**	1,181.2	2,176.9
Regular premiums recognised on a single premium equivalent basis in new business sales	**(1.5)**	(1.0)	(2.6)
Drawdown and LTM new business sales not included in gross premiums written	**182.2**	336.6	653.1
New business sales	**1,013.5**	1,516.8	2,827.4

Reconciliation of gross premiums written to retirement income sales

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Gross premiums written	**832.8**	1,181.2	2,176.9
Protection sales not included in Retirement income sales	**(1.5)**	(1.8)	(3.4)
Retirement income sales	**831.3**	1,179.4	2,173.5

3. INCOME TAX

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Current taxation			
Current year	**21.7**	12.1	(9.8)
Adjustments in respect of prior periods	**(1.8)**	(1.5)	2.1
Total current tax	**19.9**	10.6	(7.7)
Deferred taxation			
Origination and reversal of temporary differences	**3.3**	(13.1)	(12.9)
Adjustments in respect of prior periods	**–**	(0.1)	(0.9)
Rate change	**–**	0.2	0.3
Total deferred tax	**3.3**	(13.0)	(13.5)
Total income tax recognised in profit or loss	**23.2**	(2.4)	(21.2)

The current taxation adjustment in respect of prior periods of £(1.8)m relates to the conclusion of the transfer pricing enquiry with HMRC.

Reconciliation of total income tax to the applicable tax rate:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Profit/(loss) on ordinary activities before tax	**125.3**	45.7	(85.5)
Income tax at 19% (2018: 19%)	**23.8**	8.7	(16.2)
Effects of:			
Expenses not deductible for tax purposes	**1.7**	1.1	1.0
Rate change	**(0.2)**	0.2	0.1
Higher rate for overseas income	**0.3**	–	(0.3)
Unrecognised deferred tax asset	**–**	0.4	1.3
Losses utilised/carried back	**–**	–	(0.1)
Adjustments in respect of prior periods	**(1.8)**	(1.6)	1.2
Deferred tax not previously recognised	**–**	–	(9.1)
Other	**(0.6)**	(11.2)	0.9
Total income tax recognised in profit or loss	**23.2**	(2.4)	(21.2)

Other is in respect of the tax relief on the Tier 1 interest of £2.8m included in equity.

4. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding, and by the diluted weighted average number of ordinary shares potentially outstanding at the end of the period, calculated as follows:

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Earnings £m	**Weighted average number of shares million**	**Earnings per share pence**	Earnings £m	Weighted average number of shares million	Earnings per share pence
Profit attributable to equity holders of Just Group plc	**102.6**			48.1		
Coupon payments in respect of Tier 1 notes (net of tax)	**(2.8)**			–		
Profit attributable to ordinary equity holders of Just Group plc (Basic)	**99.8**	**986.7**	**10.11**	48.1	932.5	5.16
Effect of dilutive potential share options	**–**	**9.9**	**(0.10)**	–	11.9	(0.07)
Diluted	**99.8**	**996.6**	**10.01**	48.1	944.4	5.09

	Year ended 31 December 2018		
	Earnings £m	Weighted average number of shares million	Earnings per share pence
Loss attributable to equity holders of Just Group plc	(63.7)		
Coupon payments in respect of Tier 1 notes (net of tax)	–		
Loss attributable to ordinary equity holders of Just Group plc (Basic)	(63.7)	932.7	(6.83)
Effect of dilutive potential share options	–	–	–
Diluted	(63.7)	932.7	(6.83)

5. DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid were as follows:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Final dividend:			
– in respect of the year ended 31 December 2017 (2.55 pence per share, paid on 25 May 2018)	**–**	23.8	23.8
Dividends paid on the vesting of employee share schemes	**1.2**	–	0.6
Total dividends paid	**1.2**	23.8	24.4
Coupon payments in respect of Tier 1 notes[1]	**2.8**	–	–
Total distributions to equity holders in the period	**4.0**	23.8	24.4

1 Coupon payments on Tier 1 notes issued in March 2019 are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

6. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

This note explains the methodology for valuing the Group's financial assets and liabilities measured at fair value, including financial investments, and provides disclosures in accordance with IFRS 13: Fair value measurement, including an analysis of such assets and liabilities categorised in a fair value hierarchy based on market observability of valuation inputs.

All of the Group's financial investments are measured at fair value through the profit or loss, and are either designated as such on initial recognition or, in the case of derivative financial assets, classified as held for trading.

	Fair value			Cost		
	30 June 2019 £m	31 December 2018 £m	30 June 2018 £m	**30 June 2019 £m**	31 December 2018 £m	30 June 2018 £m
Units in liquidity funds	**1,015.6**	882.5	974.8	**1,015.6**	882.5	974.8
Investment funds	**105.1**	182.0	170.4	**105.1**	182.8	170.2
Debt securities and other fixed income securities	**10,271.3**	9,518.3	9,858.7	**9,516.6**	8,858.5	9,278.9
Deposits with credit institutions	**142.3**	153.4	194.3	**142.3**	153.4	194.3
Derivative financial assets	**181.3**	81.2	64.5	**–**	–	–
Loans secured by residential mortgages	**7,623.7**	7,191.5	6,959.5	**4,559.9**	4,847.6	4,339.1
Loans secured by commercial mortgages	**414.6**	392.3	296.3	**398.1**	385.9	293.9
Other loans	**840.6**	749.1	444.8	**762.3**	711.8	414.5
Recoveries from reinsurers on investment contracts	**126.0**	102.2	87.0	**115.8**	101.2	81.9
Total	**20,720.5**	19,252.5	19,050.3	**16,615.7**	16,123.7	15,747.6

The majority of investments included in debt securities and other fixed income securities are listed investments.

Units in liquidity funds comprise wholly of units in funds which invest in cash and cash equivalents.

Deposits with credit institutions with a carrying value of £141.1m (31 December 2018: £152.6m / 30 June 2018: £187.4m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs to Level 1 fair values are unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability; and
- market-corroborated inputs.

Where the Group uses broker/asset manager quotes and no information as to observability of inputs is provided by the broker/asset manager, the investments are classified as follows:

- where the broker/asset manager price is validated by using internal models with market-observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models are not used to validate broker/asset manager prices, or the observability of inputs used by brokers/asset managers is unavailable, the investment is classified as Level 3.

The majority of the Group's debt securities held at fair value and financial derivatives are valued using independent pricing services or third party broker quotes, and therefore classified as Level 2.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the same assumptions as those that the market participant would use in pricing the asset or liability.

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, asset-backed securities, investment contract liabilities, and deposits received from reinsurers.

The valuation of loans secured by mortgages is determined using internal models which project future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, voluntary redemptions and repayment shortfalls on redemption of the mortgages due to the no-negative equity guarantee. The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

Under the "no-negative equity" guarantee, the amount recoverable by the Group on termination of mortgages is generally capped at the net sale proceeds of the property. This guarantee does not apply where the mortgage redemption is not accompanied by a sale of the underlying property. This could occur when, for example, the property is remortgaged with another provider. The time value of this option and guarantee is allowed for in the asset valuation using closed form calculations, based on a variant of the Black-Scholes option pricing formula. The formula incorporates a number of assumptions, including those for risk-free interest rates, future property growth and future property price volatility.

The Level 3 bonds are either private placement bonds or asset-backed securities. Such securities are valued using discounted cash flow analyses using prudent assumptions based on the repayment of the underlying bond.

The Level 3 Other loans are infrastructure-related loans and commodity trade finance loans, and are valued using discounted cash flow analysis using prudent assumptions based on the repayment of the underlying loan.

Investment contract liabilities are calculated on a policy-by-policy basis using a prospective valuation of future retirement income benefits and expense cash flows, but with an adjustment to amortise any day-one gain over the life of the contract.

Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

There are no non-recurring fair value measurements as at 30 June 2019, 31 December 2018 or 30 June 2018.

Analysis of assets and liabilities held at fair value according to fair value hierarchy

	30 June 2019				31 December 2018			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value								
Units in liquidity funds	**1,010.3**	**5.3**	**–**	**1,015.6**	877.7	4.8	–	882.5
Investment funds	**–**	**23.3**	**81.8**	**105.1**	–	112.2	69.8	182.0
Debt securities and other fixed income securities	**724.4**	**8,907.7**	**639.2**	**10,271.3**	918.0	7,984.3	616.0	9,518.3
Deposits with credit institutions	**141.0**	**1.3**	**–**	**142.3**	152.6	0.8	–	153.4
Derivative financial assets	**–**	**171.3**	**10.0**	**181.3**	1.8	79.4	–	81.2
Loans secured by residential mortgages	**–**	**–**	**7,623.7**	**7,623.7**	–	–	7,191.5	7,191.5
Loans secured by commercial mortgages	**–**	**–**	**414.6**	**414.6**	–	–	392.3	392.3
Other loans	**–**	**32.3**	**808.3**	**840.6**	–	25.9	723.2	749.1
Recoveries from reinsurers on investment contracts	**–**	**–**	**126.0**	**126.0**	–	–	102.2	102.2
Total assets held at fair value	**1,875.7**	**9,141.2**	**9,703.6**	**20,720.5**	1,950.1	8,207.4	9,095.0	19,252.5
Liabilities held at fair value								
Investment contract liabilities	**–**	**–**	**199.8**	**199.8**	–	–	197.8	197.8
Derivative financial liabilities	**–**	**243.8**	**–**	**243.8**	–	178.3	–	178.3
Obligations for repayment of cash collateral received	**72.9**	**–**	**–**	**72.9**	3.2	0.2	–	3.4
Deposits received from reinsurers	**–**	**–**	**2,471.4**	**2,471.4**	–	–	2,443.5	2,443.5
Total liabilities held at fair value	**72.9**	**243.8**	**2,671.2**	**2,987.9**	3.2	178.5	2,641.3	2,823.0

	30 June 2018			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Units in liquidity funds	970.3	4.5	–	974.8
Investment funds	–	170.4	–	170.4
Debt securities and other fixed income securities	703.7	8,389.4	765.6	9,858.7
Deposits with credit institutions	187.4	6.9	–	194.3
Derivative financial assets	–	64.5	–	64.5
Loans secured by residential mortgages	–	–	6,959.5	6,959.5
Loans secured by commercial mortgages	–	–	296.3	296.3
Other loans	–	11.6	433.2	444.8
Recoveries from reinsurers on investment contracts	–	–	87.0	87.0
Total assets held at fair value	1,861.4	8,647.3	8,541.6	19,050.3
Liabilities held at fair value				
Investment contract liabilities	–	–	208.2	208.2
Derivative financial liabilities	–	198.1	–	198.1
Obligations for repayment of cash collateral received	0.6	–	–	0.6
Deposits received from reinsurers	–	–	2,526.0	2,526.0
Total liabilities held at fair value	0.6	198.1	2,734.2	2,932.9

Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. During the period there were no transfers between Level 1 and Level 2. The transfer from Level 2 to Level 3 in the period is in respect of derivative financial assets for which current market values after the initial trade are not available. The transfer from Level 2 to Level 3 in the year ended 31 December 2018 followed a change in the availability of market prices for specific bonds.

Level 3 assets and liabilities measured at fair value

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value.

Six months ended 30 June 2019	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At start of period	**69.8**	**616.0**	**–**	**7,191.5**	**392.3**	**723.2**	**102.2**	**(197.8)**	**(2,443.5)**
Purchases/ Advances/ Deposits	**13.3**	**14.6**	**–**	**155.8**	**15.0**	**49.6**	**51.0**	**(26.4)**	**(0.8)**
Transfers from level 2	**–**	**–**	**3.3**	**–**	**–**	**–**	**–**	**–**	**–**
Sales/ Redemptions/ Payments	**(0.6)**	**(4.3)**	**–**	**(150.7)**	**(2.8)**	**(6.0)**	**(34.3)**	**32.3**	**111.6**
Realised gains and losses recognised in profit or loss within net investment income	**–**	**0.3**	**–**	**41.6**	**–**	**–**	**–**	**–**	**–**
Unrealised gains and losses recognised in profit or loss within net investment income	**–**	**15.9**	**–**	**244.6**	**10.0**	**41.5**	**7.1**	**–**	**(94.9)**
Interest accrued	**(0.7)**	**(3.3)**	**–**	**140.9**	**0.1**	**–**	**–**	**–**	**(43.8)**
Change in fair value of liabilities recognised in profit or loss	**–**	**–**	**6.7**	**–**	**–**	**–**	**–**	**(7.9)**	**–**
At end of period	**81.8**	**639.2**	**10.0**	**7,623.7**	**414.6**	**808.3**	**126.0**	**(199.8)**	**(2,471.4)**

Year ended 31 December 2018	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At start of year	–	740.5	6,833.3	215.4	433.3	72.3	(220.7)	(2,654.1)
Purchases/Advances/Deposits	79.0	78.1	602.1	177.8	295.5	54.6	(51.0)	(20.2)
Transfers from Level 2	–	(158.3)	–	–	–	–	–	–
Sales/Redemptions/Payments	(9.7)	(26.6)	(297.2)	(18.0)	(4.7)	(24.5)	73.5	227.7
Realised gains and losses recognised in profit or loss within net investment income	–	(2.4)	78.7	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income[1]	–	(9.7)	(291.4)	27.1	(0.9)	(0.2)	–	92.0
Interest accrued	0.5	(5.6)	266.0	(10.0)	–	–	–	(88.9)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	0.4	–
At end of year	69.8	616.0	7,191.5	392.3	723.2	102.2	(197.8)	(2,443.5)

1 Includes the impact of changes in assumptions in respect of the valuation of loans secured by residential mortgages of £112m, which includes £61m in relation to property growth assumptions and £51m in relation to property volatility assumptions.

Six months ended 30 June 2018	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Recoveries from reinsurers on investment contracts £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At start of period	740.5	6,833.3	215.4	433.3	72.3	(220.7)	(2,654.1)
Purchases/Advances/Deposits	49.5	312.7	83.9	6.0	28.2	(23.9)	(14.4)
Sales/Redemptions/Payments	(7.6)	(135.7)	(1.7)	–	(16.9)	37.7	216.2
Realised gains and losses recognised in profit or loss within net investment income	0.6	34.4	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income	(11.7)	(217.2)	(1.5)	(6.1)	3.4	–	19.7
Interest accrued	(5.7)	132.0	0.2	–	–	–	(93.4)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	(1.3)	–
At end of period	765.6	6,959.5	296.3	433.2	87.0	(208.2)	(2,526.0)

For Level 1 and Level 2 assets and liabilities measured at fair value, unrealised gains during the period were gains of £45.8m and £356.5m respectively (year ended 31 December 2018: losses of £66.3m and £181.0m respectively).

Investment funds

Investment funds classified as Level 3 are structured entities that operate under contractual arrangements which allow a group of investors to invest in a pool of corporate loans without any one investor having overall control of the entity.

Principal assumptions underlying the calculation of investment funds classified as Level 3

Discount rate

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The discount rates used range from 6.9% to 12.1% depending on the individual loan within the investment fund.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on fair value to changes to these inputs as follows:

	Investment funds
Net increase/(decrease) in fair value (£m)	Discount rate +1%
30 June 2019	**(3.7)**
31 December 2018	(3.1)
30 June 2018	n/a

Debt securities and other fixed income securities

Debt securities classified as Level 3 are private placement bonds and asset-backed securities.

Principal assumptions underlying the calculation of the debt securities and other fixed income securities classified as Level 3.

Redemption and defaults

The redemption and default assumptions used in the valuation of infrastructure private placement bonds are similar to the rest of the Group's bond portfolio.

For asset-backed securities, the assumptions are that the underlying loans supporting the securities are redeemed in the future in a similar profile to the existing redemptions on an average rate of 3% per annum, and that default levels on the underlying basis remain at the current level of the Group's bond portfolio.

Sensitivity analysis
Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of bonds to the default assumption is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Debt securities and other fixed income securities Credit spreads +100bps
30 June 2019	**(32.5)**
31 December 2018	(28.9)
30 June 2018	(42.0)

Loans secured by residential mortgages

Principal assumptions underlying the calculation of loans secured by residential mortgages
All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the following:

Maintenance expenses
Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.1% (31 December 2018: 4.1% / 30 June 2018: 4.1%).

Mortality
Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2017 data set and model mortality tables for both base table rates and mortality improvements (2018: CMI 2017 mortality tables for both base table rates and mortality improvements). These base mortality and improvement tables have been adjusted to reflect the expected future mortality experience of mortgage contract holders, taking into account the medical and lifestyle evidence collected during the sales process and the Group's assessment of how this experience will develop in the future. This assessment takes into consideration relevant industry and population studies, published research materials and management's own experience.

Property prices
The value of a property at the date of valuation is calculated by taking the latest valuation for that property and indexing this value using the Office for National Statistics monthly index for the property's location. The appropriateness of this valuation basis is regularly tested on the event of redemption of mortgages.

Future property price growth
In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has made an assumption about future residential property price inflation based upon available market and industry data. These assumptions have been derived with reference to the long-term expectation of the UK retail price inflation, "RPI", plus an allowance for the expectation of house price growth above RPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 3.8% (31 December 2018: 3.8% / 30 June 2018: 4.25%), with a volatility assumption of 13% per annum (31 December 2018: 13% / 30 June 2018: 12%). The change in these assumptions since 2017 included consideration of future long and short term forecasts, the Group's historical experience, benchmarking data, and future uncertainties including the possible impact of Brexit on the UK property market. There have been no further changes in these assumptions since 2018.

Voluntary redemptions
Assumptions for future voluntary redemption levels are based on the Group's recent analyses and external benchmarking. The assumed redemption rate varies by duration and product line between 0.7% and 3.8% for loans written by JRL (31 December 2018: between 0.7% and 3.8% / 30 June 2018: between 0.7% and 3.0%) and between 0.9% and 3.2% for loans written by PLACL (31 December 2018: between 0.9% and 3.2% / 30 June 2018: between 0.9% and 2.8%).

Sensitivity analysis
Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on fair value to changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Loans secured by residential mortgages valuation assumptions Maintenance expenses +10%	Base mortality -5%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%
30 June 2019	**(7.4)**	**27.3**	**(112.1)**	**(89.5)**	**(59.0)**	**(18.2)**
31 December 2018	(7.1)	22.4	(97.1)	(79.4)	(53.2)	(15.1)
30 June 2018	(7.2)	25.4	(72.1)	(65.2)	(45.3)	(18.8)

These sensitivity factors are determined via financial models. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality such an occurrence is unlikely due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts cannot be interpolated or extrapolated from these results.

The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty.

Loans secured by commercial mortgages

Principal assumption underlying the calculation of loans secured by commercial mortgages

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by commercial mortgages are similar to the Group's bond portfolio.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. Interest rates are the most significant assumption applied in calculating the fair value of the loans secured by commercial mortgages. The Group has estimated the impact on fair value to changes to these inputs as follows.

Net increase/(decrease) in fair value (£m)	**Loans secured by commercial mortgages valuation assumptions** **Interest rates +100bps**
30 June 2019	**(20.1)**
31 December 2018	(19.8)
30 June 2018	(15.0)

Other loans

Other loans classified as Level 3 are infrastructure loans and commodity trade finance loans.

Principal assumptions underlying the calculation of other loans classified as Level 3

Redemption and defaults

The redemption and default assumptions used in the valuation of level 3 loans are similar to the Group's bond portfolio. They have additional covenants which provide greater security but these are not quantified in the valuation.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of level 3 loans to the default assumption is determined by reference to the movement in credit spreads.

The Group has estimated the impact on fair value to changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Other loans Credit spreads +100bps
30 June 2019	**(73.2)**
31 December 2018	(73.4)
30 June 2018	(41.1)

Recoveries from reinsurers on investment contracts

Recoveries from reinsurers on investment contracts represent fully reinsured funds invested under the Flexible Pension Plan. The linked liabilities are included in Level 3 investment contract liabilities.

Principal assumptions and sensitivity of fair value

Recoveries from reinsurers on investment contracts are valued based on the price of the reinsured underlying funds determined by the asset managers. The assets are classified as Level 3 because the prices are not validated by internal models or the observable inputs used by the asset managers are not available. Therefore, there are no principal assumptions used in the valuation of these Level 3 assets.

Investment contract liabilities

Principal assumptions underlying the calculation of investment contract liabilities

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.6% (31 December 2018: 4.6% / 30 June 2018: 4.4%).

Sensitivity analysis

The sensitivity of fair value to changes in maintenance expense assumptions in respect of investment contract liabilities is not material.

Deposits received from reinsurers

Principal assumptions underlying the calculation of deposits received from reinsurers

Discount rate

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for individual retirement and individual care annuities were 3.00% and 0.91% respectively (31 December 2018: 3.47% and 1.32% respectively / 30 June 2018: 3.40% and 0.95% respectively).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread applied by the individual reinsurer. A credit spread of 125bps (31 December 2018: 142bps / 30 June 2018: 113bps) was applied in respect of the most significant reinsurance contract.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the liabilities. The Group has estimated the impact on fair value to changes to these inputs as follows:

	Deposits received from reinsurers	
Net increase/(decrease) in fair value (£m)	Credit spreads +100bps	Interest rates +100bps
30 June 2019	**(79.4)**	**(204.3)**
31 December 2018	(75.8)	(196.4)
30 June 2018	(85.0)	(199.7)

7. SHARE CAPITAL

The allotted and issued ordinary share capital of Just Group plc at 30 June 2019 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2019	**941,068,882**	**94.1**	**94.5**	**532.7**	**721.3**
Shares issued	**94,012,782**	**9.4**	**64.4**	**–**	**73.8**
In respect of employee share schemes	**–**	**–**	**–**	**–**	**–**
At 30 June 2019	**1,035,081,664**	**103.5**	**158.9**	**532.7**	**795.1**
At 1 January 2018	**938,308,340**	**93.8**	**94.2**	**532.7**	**720.7**
In respect of employee share schemes	2,760,542	0.3	0.3	–	0.6
At 31 December 2018	941,068,882	94.1	94.5	532.7	721.3
At 1 January 2018	938,308,340	93.8	94.2	532.7	720.7
In respect of employee share schemes	252,560	–	0.3	–	0.3
At 30 June 2018	938,560,900	93.8	94.5	532.7	721.0

A merger reserve has been recognised in 2016 on the acquisition of 100% of the equity shares of Partnership Assurance Group plc, representing the difference between the nominal value of the new shares issued in the Company as consideration, and the net assets of Partnership Assurance Group plc acquired.

8. TIER 1 NOTES

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
At start of period	**–**	–	–
Issued in the period	**300.0**	–	–
Issue costs, net of tax	**(6.2)**	–	–
At end of period	**293.8**	–	–

On 25 March 2019, the Group completed the issue of £300m fixed rate perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £6.2m, net of tax.

The notes bear interest on the principal amount up to the 26 April 2024 (the first call date) at the rate of 9.375% per annum, and thereafter at a fixed rate of interest reset on the first call date and on each fifth anniversary thereafter. Interest is payable on the notes semi-annually in arrears on 26 April and 26 October each year commencing on 26 April 2019. During the period, interest of £2.8m was paid to note holders.

The Tier 1 notes are treated as a separate category within equity and the coupon payments are recognised outside of the profit after tax result and directly in shareholders' equity.

The Group has the option to cancel the coupon payment which becomes mandatory upon non-compliance with the solvency capital requirement or minimum capital requirement or where the Group has insufficient distributable items.

9. INSURANCE CONTRACTS AND RELATED REINSURANCE

The following movements have occurred in the insurance contract balances for Retirement Income products during the period.

	Six months ended 30 June 2019			Year ended 31 December 2018		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At start of period	**17,273.8**	**(4,239.2)**	**13,034.6**	16,633.0	(5,285.3)	11,347.7
Increase in liability from premiums	**687.1**	**7.3**	**694.4**	1,735.4	2.2	1,737.6
Release of liability due to recorded claims	**(626.9)**	**188.3**	**(438.6)**	(1,213.2)	419.8	(793.4)
Unwinding of discount	**295.9**	**(70.0)**	**225.9**	547.4	(154.9)	392.5
Changes in economic assumptions	**746.1**	**(140.2)**	**605.9**	(286.6)	136.4	(150.2)
Changes in non-economic assumptions	**(0.2)**	**(0.1)**	**(0.3)**	(128.8)	98.1	(30.7)
Other movements[1]	**8.2**	**173.9**	**182.1**	(13.4)	544.5	531.1
At end of period	**18,384.0**	**(4,080.0)**	**14,304.0**	17,273.8	(4,239.2)	13,034.6

	Six months ended 30 June 2018		
	Gross £m	Reinsurance £m	Net £m
At start of period	16,633.0	(5,285.3)	11,347.7
Increase in liability from premiums	951.4	(2.3)	949.1
Release of liability due to recorded claims	(613.7)	229.4	(384.3)
Unwinding of discount	264.7	(78.0)	186.7
Changes in economic assumptions	(459.7)	124.0	(335.7)
Changes in non-economic assumptions	–	–	–
Other movements[1]	(0.9)	373.9	373.0
At end of period	16,774.8	(4,638.3)	12,136.5

1 Includes the impact of reinsurance recapture

Effect of changes in assumptions and estimates during the period

Economic assumption changes

The principal economic assumption change impacting the movement in insurance liabilities during the period relates to discount rates for the Group's insurance subsidiaries Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL").

Discount rates

The movement in the valuation interest rate captures the impact of underlying changes in risk-free curves and spreads on backing assets (excluding Lifetime Mortgages). Both existing in-force assets and new assets purchased during the year contribute to the movement in the discount rate. Differences between the discount rates recognised on new business written during the year and the prevailing discount rates on the entire portfolio of business also contribute to the movement in insurance liabilities.

Valuation discount rates – gross liabilities	**30 June 2019** %	31 December 2018 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**3.12**	3.51
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**3.00**	3.47
Defined Benefit (JRL)	**3.12**	3.51
Defined Benefit (PLACL)	**3.00**	3.47
Other annuity products (PLACL)	**0.91**	1.32
Term and whole of life products (PLACL)	**1.00**	1.54

Future expenses
Assumptions for future policy expense levels are determined from the Group's recent expense analyses. The assumed future policy expense levels incorporate an annual inflation rate allowance of 4.6% (2018: 4.6%).

Non-economic assumption changes
There have been no non-economic assumption changes during the period.

10. LOANS AND BORROWINGS

	Carrying value			Fair Value		
	30 June 2019 £m	31 December 2018 £m	30 June 2018 £m	**30 June 2019 £m**	31 December 2018 £m	30 June 2018 £m
£100m 9.5% 10 year subordinated debt 2025 non-callable 5 years (Tier 2) issued by Partnership Life Assurance Company Limited	**96.2**	95.9	95.6	**101.3**	113.5	105.9
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	**248.9**	248.8	248.7	**251.7**	289.9	287.8
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	**228.8**	228.7	229.0	**238.5**	214.7	227.7
Total loans and borrowings	**573.9**	573.4	573.3	**591.5**	618.1	621.4

The £100m 9.5% Partnership Life Assurance Company Limited Tier 2 notes are callable annually from March 2020.

11. OTHER FINANCIAL LIABILITIES

The Group has other financial liabilities which are measured at either amortised cost, fair value through profit or loss, or in accordance with relevant underlying contracts ("insurance rules"), summarised as follows.

	Note	**30 June 2019 £m**	31 December 2018 £m	30 June 2018 £m
Fair value through profit or loss				
Derivative financial liabilities	(a)	**243.8**	178.3	198.1
Obligations for repayment of cash collateral received	(a)	**72.9**	3.4	0.6
Deposits received from reinsurers	(b)	**2,471.4**	2,443.5	2,526.0
Liabilities measured using insurance rules under IFRS 4				
Deposits received from reinsurers	(b)	**1,043.7**	1,236.3	1,440.2
Reinsurance finance	(c)	**22.3**	30.6	38.9
Reinsurance funds withheld	(d)	**167.3**	171.2	178.0
Total other liabilities		**4,021.4**	4,063.3	4,381.8

(a) Derivative financial liabilities and obligations for repayment of cash collateral received

The derivative financial liabilities are classified at fair value through profit or loss. All financial liabilities at fair value through profit or loss are designated as such on initial recognition or, in the case of derivative financial liabilities, are classified as held for trading.

(b) Deposits received from reinsurers

Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

(c) Reinsurance finance

The reinsurance finance has been established in recognition of the loan obligation to the reinsurers under the Group's reinsurance financing arrangements, the repayment of which are contingent upon the emergence of surplus under either the old Solvency I or IFRS valuation rules.

(d) Reinsurance funds withheld

Reinsurance funds withheld are measured and valued in accordance with the reinsurance contract, which takes into account an appropriate discount rate for the timing of expected cash flows.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, inflation and foreign exchange risk.

	30 June 2019			31 December 2018		
Derivatives	**Asset fair value £m**	**Liability fair value £m**	**Notional amount £m**	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	**0.7**	**176.2**	**1,648.9**	1.3	131.8	1,186.5
Interest rate swaps	**144.1**	**25.8**	**3,607.9**	36.2	9.5	2,131.8
Inflation swaps	**26.1**	**35.0**	**1,797.3**	38.0	27.6	1,879.3
Forward swap	**0.4**	**6.8**	**2,049.8**	0.6	9.4	927.6
Put option on property index (NNEG hedge)	**10.0**	**–**	**80.0**	3.3	–	80.0
Interest rate futures	**–**	**–**	**–**	1.8	–	186.0
Total	**181.3**	**243.8**	**9,183.9**	81.2	178.3	6,391.2

	30 June 2018		
Derivatives	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	6.4	85.4	1,031.5
Interest rate swaps	38.0	53.2	1,527.5
Inflation swaps	15.8	57.7	1,836.6
Forward swap	0.5	1.8	486.6
Interest rate futures	3.8	–	186.0
Total	64.5	198.1	5,068.2

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc. ("ISDA") master agreements, and the Group has collateral agreements between the individual Group entities and relevant counterparties in place under each of these market master agreements.

As at 30 June 2019, the Company had pledged collateral of £141.1m (31 December 2018: £152.6m / 30 June 2018: £246.7m) of which £nil were gilts and European Investment Bank bonds (31 December 2018: £nil / 30 June 2018: £nil) and had received cash collateral of £72.9m (31 December 2018: £3.4m / 30 June 2018: £0.6m). In addition to the cash collateral received recognised within other financial liabilities, certain collateral arrangements within the Group's subsidiary, PLACL, give rise to collateral of £13.3m (31 December 2018: £10.4m / 30 June 2018: £9.2m) which is not included in the Consolidated statement of financial position of the Group because it is deposited into a ringfenced collateral account that the Group has no control over and does not accrue any of the economic benefit.

Amounts recognised in profit or loss in respect of derivative financial instruments are as follows:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Movement in fair value of derivative instruments	**26.4**	(80.5)	(49.0)
Realised profits/(losses) on interest rate swaps closed	**19.0**	(1.7)	(16.3)
Total amounts recognised in profit or loss	**45.4**	(82.2)	(65.3)

13. CAPITAL

The net assets of the Group at 30 June 2019 on an IFRS basis were £2,133.2m (2018: £1,663.8m). The Group manages capital on a regulatory basis. Since 1 January 2016, the Group has been required to measure and monitor its capital resources on a new regulatory basis and to comply with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority ("PRA") in the UK. The Group and its regulated subsidiaries are required to maintain eligible capital, or "Own Funds," in excess of the value of their Solvency Capital Requirements ("SCR"). The SCR represents the risk capital required to be set aside to absorb 1 in 200 year stress tests of each risk type that the Group is exposed to, including longevity risk, property risk, credit risk and interest rate risk. These risks are all aggregated with appropriate allowance for diversification benefits.

In December 2015, Just Retirement Group plc and JRL received approval to calculate their Solvency II capital requirements using a full internal model. The capital requirement for the ex-Partnership business is assessed using the standard formula. Following the merger of Just Retirement and Partnership, the capital requirement for Just Group plc is calculated using a partial internal model.

The surplus of Own Funds over the SCR is called "Excess Own Funds" and this effectively acts as working capital for the Group. The overriding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due.

In managing its capital the Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group does not write new business.

The Group's capital position can be adversely affected by a number of factors, in particular factors that erode the Group's capital resources and/or which impact the quantum of risk to which the Group is exposed. In addition, any event which erodes current profitability and is expected to reduce future profitability and/or make profitability more volatile could impact the Group's capital position, which in turn could have a negative effect on the Group's results of operations.

In assessing the Group's capital position, matters currently under consultation and development by the PRA have been taken into account. These include the implementation of SS3/17, as updated by PS31/18 "Solvency II: Equity Release Mortgages", which is expected to become effective 31 December 2019, with a phase-in requirement to meet a 13% volatility and 1% deferment rate by 31 December 2021; and CP7/19 "Solvency II: Equity Release Mortgages – Part 2" which sets out proposals in relation to the process by which volatility and deferment rates will be updated and how the effective value test applies in stress.

The Group is engaged with the PRA on these regulatory developments and also on certain matters specific to the Group, including a review of the methodology used to determine the rating, amount and spread on the LTM notes used to enable LTM assets to be eligible for matching adjustment.

Based on internal estimates as to the potential outcomes of CP7/19, our capital plan assumes an increase in SCR of c.£130m (not reviewed by KPMG) on existing business resulting from this. The full amount of this increase would be effective at year-end 2021. The increase in SCR arising from CP7/19 is in addition to the expected cost to our matching adjustment from PS31/18 of meeting a 13% volatility and 1% deferment rate by 31 December 2021. Like any ongoing consultation there is a risk that the outcome could be higher or lower.

It is important to note that there continue to be a number of capital management actions available to us which can offset regulatory changes. For example, the DB longevity reinsurance transaction recently entered into would have increased Solvency II surplus by £118m (not reviewed by KPMG) at 1 July 2019, although this is partly offset by the £70m (not reviewed by KPMG) increase in our SCR made since 30 June in preparation for adjustments to the treatment of LTMs within our internal model.

Given that the Group continues to experience a high level of regulatory activity and intense regulatory supervision, there is also the risk of PRA intervention, not limited to the matters described in the paragraphs above, which could negatively impact on the Group's capital position.

As a result of the matters described above, a risk remains that the Group could further reduce new business volumes or close to new business, a decision that the board keeps under regular review.

The Group has completed a number of management actions which have strengthened its capital position:

- In March 2019 the Group raised a total of £375m new capital (before issue costs), through a £300m Restricted Tier 1 notes issuance and through a £75m equity placing, which can be used to support the Group's capital requirements.
- On 29 August 2019 the Group entered into a reinsurance transaction with RGA to reduce Just Retirement Limited's exposure to longevity risk (and the associated capital requirements) for DB business, which is effective from 1 July 2019.
- The Group has significantly reduced new business strain through planned reduction in new business volumes, re-pricing and cost reductions.

On the basis that the Group continues to write new business, the Group also recognises the need to continue to strengthen its capital position during 2019 and beyond, with further management actions (potential and planned) to reach capital self-sufficiency by 2022:

- The Board continues to review the optimal capital mix, subject to market liquidity and availability, including consideration of the use of unutilised Tier 2 capacity and possible refinancing options for the £100m 9.5% Partnership Tier 2 notes which are callable annually from March 2020.
- Further expense reductions are planned with an expected 10% reduction in the cost base compared to 2018.
- The Group is in discussions with the PRA to establish satisfactory regulatory treatment for the pilot NNEG hedge which will reduce exposure of the regulatory balance sheet to property price movements.
- Reduction to new business strain is planned through DB partner business which is much less capital intensive.
- New business strain could be further reduced by continuing to reduce the levels, and mix, of new business written. The Board continuously monitors the impact of new business on the firm's actual and future expected capital position.

Further information on the matters considered by the Directors at 30 June 2019 in relation to capital and going concern is included in note 1.1, Basis of preparation.

The Group's objectives when managing capital for all subsidiaries are:

- to comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory requirements;
- to safeguard the Group's ability to continue as a going concern;
- to continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital include:

- Just Retirement Limited and Partnership Life Assurance Company Limited – authorised by the PRA, and regulated by the PRA and FCA.
- HUB Financial Solutions Limited, Just Retirement Money Limited, and Partnership Home Loans Limited – authorised and regulated by the FCA.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the period.

Group capital position (not reviewed by KPMG)
The Group's estimated capital surplus position at 30 June 2019, which is not covered by the KPMG independent review opinion on pages 26 and 27, was as follows:

	30 June 2019[1] £m	31 December 2018[2] £m
Capital resources		
Own funds	**2,501**	2,284
Solvency Capital Requirement	**(1,728)**	(1,589)
Excess own funds	**773**	695
Solvency coverage ratio	**145%**	144%

1 Estimated regulatory position. These figures do not allow for any notional recalculation of TMTP as at 30 June 2019. The estimated solvency coverage ratio including a notional recalculation of TMTP as at 30 June 2019 is 149%.

2 As reported in the Group's Solvency and Financial Condition Report as at 31 December 2018.

14. RELATED PARTIES

The Group has related party relationships with its key management personnel and associated undertakings. All transactions with related parties are carried out on an arm's length basis.

Key management personnel comprise the Directors of the Company.

There were no material transactions between the Group and its key management personnel other than those disclosed below.

Key management compensation is as follows:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Short-term employee benefits	**1.7**	2.3	4.4
Share-based payments	**0.5**	1.3	2.7
Total key management compensation	**2.2**	3.6	7.1
Loans owed by Directors	**0.4**	0.4	0.4

The loan advances to Directors accrue interest fixed at 4% per annum and are repayable in whole or in part at any time.

15. POST BALANCE SHEET EVENTS

On 29 August 2019 the Group entered into a transaction with RGA to reduce Just Retirement Limited's exposure to longevity risk (and the associated capital requirements) for Defined Benefit De-risking Solutions ("DB") business, by increasing the proportion reinsured to 100% for all in-force DB schemes written between 1 January 2016 and 30 June 2019, and to 90% for most new DB business written from 1 July 2019 (including into the future). The increased cover is effective from 1 July 2019. The one-off reduction in IFRS profit after tax reported at 31 December 2019 is expected to be c.£8m, and thereafter the impact to IFRS profit after tax is expected to be less than £1m per annum.

ADDITIONAL FINANCIAL INFORMATION

The following additional financial information is not covered by the KPMG LLP independent review opinion on pages 26 and 27.

SOLVENCY II SURPLUS GENERATION

The table below shows the expected future emergence over the next 35 years, of Solvency II surplus in excess of 100% of SCR.

The amounts are shown undiscounted and exclude the free surplus at 30 June 2019 of £840m.

The regulatory changes shown are the costs of fully complying with the PS31/18 phase-in requirement to meet a 13% volatility and 1% deferment rate in the Effective Value Test by 31 December 2021.

Year	Core surplus generation £m	Regulatory changes £m	TMTP amortisation £m	Surplus generation £m
HY 2019	**141**	-	(90)	**51**
2020	**267**	(74)	(150)	**43**
2021	**276**	(76)	(122)	**78**
2022	**279**	-	(130)	**149**
2023	**271**	-	(130)	**140**
2024	**265**	-	(130)	**135**
2025	**259**	-	(130)	**129**
2026	**251**	-	(130)	**121**
2027	**237**	-	(130)	**107**
2028	**234**	-	(130)	**104**
2029	**231**	-	(130)	**101**
2030	**225**	-	(130)	**94**
2031	**224**	-	(130)	**93**
2032	**209**	-	-	**209**
2033	**203**	-	-	**203**
2034	**199**	-	-	**199**
2035	**190**	-	-	**190**
2036	**187**	-	-	**187**
2037	**175**	-	-	**175**
2038	**167**	-	-	**167**
2039 – 2043	**701**	-	-	**701**
2044 - 2048	**486**	-	-	**486**
2049 - 2053	**335**	-	-	**335**

The analysis excludes the effects of the new DB longevity reinsurance and any potential effects of fully implementing CP7/19 (see Note 13, Capital).

GLOSSARY

Acquisition costs – acquisition costs comprise the direct costs (such as commissions) of obtaining new business.

Adjusted earnings per share – an APM, this measures earnings per share based on adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by taking the adjusted operating profit APM, reduced for the effective tax rate (19% for 2018), and dividing this result by the weighted average number of shares in issue by the Group for the period.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of the new business operating profit and in-force operating profit together with the impact of one-off assumption changes, experience variances, results of the other Group companies and financing costs. Adjusted operating profit is reconciled to IFRS profit before tax in the Business Review.

Alternative performance measure ("APM") – In addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures ("APMs") within the Annual Report and Accounts. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in this glossary together with a reference to where the APM has been reconciled to its nearest statutory equivalent. APMs which are also KPIs are indicated as such.

Amortisation and impairment of intangible assets – amortisation costs relate to the amortisation of the Group's intangible assets, including the amortisation of intangible assets recognised in relation to the acquisition of Partnership Assurance Group plc by Just Retirement Group plc.

Auto-enrolment – new legal duties being phased in that require employers to automatically enrol workers into a workplace pension.

Buy-in – an exercise enabling a pension scheme to obtain an insurance contract that pays a guaranteed stream of income sufficient to cover the liabilities of a group of the scheme's members.

Buy-out – an exercise that wholly transfers the liability for paying member benefits from the pension scheme to an insurer which then becomes responsible for paying the members directly.

Capped Drawdown – a non-marketed product from Just Group previously described as Fixed Term Annuity. Capped Drawdown products ceased to be available to new customers when the tax legislation changed for pensions in April 2015.

Care Plan – a specialist insurance contract contributing to the costs of long-term care by paying a guaranteed income to a registered care provider for the remainder of a person's life.

Change in insurance liabilities – change in insurance liabilities represents the difference between the year-on-year change in the carrying value of the Group's insurance liabilities and the year-on-year change in the carrying value of the Group's reinsurance assets including the effect of the impact of reinsurance recaptures.

Combined Group/Just Group – following completion of the merger with Partnership Assurance Group plc, Just Group plc and each of its consolidated subsidiaries and subsidiary undertakings comprising the Just Retirement Group and the Partnership Assurance Group.

Defined benefit pension scheme – a pension scheme, usually backed or sponsored by an employer, that pays members a guaranteed level of retirement income based on length of membership and earnings.

Defined contribution ("DC") pension scheme – a work-based or personal pension scheme in which contributions are invested to build up a fund that can be used by the individual member to provide retirement benefits.

De-risk/de-risking – an action carried out by the trustees of a pension scheme with the aim of transferring investment, inflation and longevity risk from the sponsoring employer and scheme to a third party such as an insurer.

Development expenditure – development expenditure captures costs relating to the development of new products and new initiatives, and is included within adjusted operating profit.

Drawdown – (in reference to Just Group sales or products) collective term for Flexible Pension Plan and capped drawdown.

Economic capital coverage ratio – an APM and one of the Group's KPIs, economic capital is a risk-based capital measure and expresses the Board's view of the available capital as a percentage of the required capital.

Employee benefits consultant ("EBC") – an adviser offering specialist knowledge to employers on the legal, regulatory and practical issues of rewarding staff including non-wage compensation such as pensions, health and life insurance and profit sharing.

Equity release – products and services enabling homeowners to generate income or lump sums by accessing some of the value of the home while continuing to live in it.

Embedded value – an APM, this represents the sum of shareholders' net assets and the value of in-force business, and is a measure in assessing the future profit streams of the Group's long-term business. It also recognises the additional value of profits in the business that has been written but not yet recognised under IFRS accounting.

Finance costs – finance costs represent interest payable on reinsurance deposits and financing, the interest on the Group's Tier 2 Debt, and, in the prior year, bank finance costs.

Flexi-access drawdown – the option introduced in April 2015 for DC pension savers who have taken tax-free cash to take a taxable income directly from their remaining pension with no limit on withdrawals.

Gross premiums written – Gross premiums written are the total premiums received by the Group in relation to its Retirement Income and Protection sales in the period, gross of commission paid.

Guaranteed Guidance – see Pensions Wise.

Guaranteed income for life ("GIfL") – retirement income products which transfer the investment and longevity risk to the company and provide the retiree a guarantee to pay an agreed level of income for as long as a retiree lives. On a "joint-life" basis, continues to pay a guaranteed income to a surviving spouse/partner. Just provides modern individually underwritten GIfL solutions.

IFRS net assets – one of the Group's KPIs, representing the assets attributable to equity holders.

IFRS profit before tax – one of the Group's KPIs, representing the profit before tax attributable to equity holders.

In-force operating profit – an APM and one of the Group's KPIs, capturing the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies. In-force operating profit is reconciled to IFRS profit before tax in the Business Review.

Investment and economic profits – investment and economic profits reflect the difference in the period between expected investment returns, based on investment and economic assumptions at the start of the period, and the actual returns earned. Investment and economic profits also reflect the impact of assumption changes in future expected risk-free rates, corporate bond defaults and house price inflation and volatility.

Key Performance Indicators ("KPIs") – KPIs are metrics adopted by the Board which are considered to give an understanding of the Group's underlying performance drivers. The Group's KPIs are Retirement income sales, New business operating profit, In-force operating profit, Adjusted operating profit, IFRS profit before tax, IFRS net assets, Solvency II capital coverage ratio and Economic capital coverage ratio.

Lifetime mortgage ("LTM") – an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the home is no longer needed.

LTM notes – structured assets issued by a wholly owned SPE, Just Re1 Ltd. Just Re1 Ltd holds two pools of lifetime mortgages, each of which provides the collateral for issuance of senior and mezzanine notes to Just Retirement Ltd, eligible for inclusion in its matching portfolio.

Medical underwriting – the process of evaluating an individual's current health, medical history and lifestyle factors such as smoking when pricing an insurance contract.

Net claims paid – net claims paid represents the total payments due to policyholders during the accounting period, less the reinsurers' share of such claims which are payable back to the Group under the terms of the reinsurance treaties.

Net investment income – net investment income comprises interest received on financial assets and the net gains and losses on financial assets designated at fair value through profit or loss upon initial recognition and on financial derivatives.

Net premium revenue – net premium revenue represents the sum of gross premiums written and reinsurance recapture, less reinsurance premium ceded.

New business operating profit – an APM and one of the Group's KPIs, representing the profit generated from new business written in the year after allowing for the establishment of prudent reserves and for acquisition expenses. New business operating profit is reconciled to IFRS profit before tax in the Business Review.

New business sales – an APM and an indicator of the Group's growth and realisation of its strategic objectives. New business sales include DB, GIfL, Care, FPP and protection premiums written combined with LTM advances in the year. New business sales are reconciled to IFRS Gross premiums in note 2 to the consolidated financial statements.

Non-recurring and project expenditure – non-recurring and project expenditure includes any one-off regulatory, project and development costs. This line item does not include acquisition integration, or acquisition transaction costs, which are shown as separate line items.

Operating experience and assumption changes – captures the impact of the actual operating experience differing from that assumed at the start of the period, plus the impact of changes to future operating assumptions applied during the period. It also includes the impact of any expense reserve movements, and other sundry operating items.

Other Group companies' operating results – the results of Group companies including our HUB group of companies, which provides regulated advice and intermediary services, and professional services to corporates, and corporate costs incurred by Group holding companies and the overseas start-ups.

Other operating expenses – other operating expenses represent the Group's operational overheads, including personnel expenses, investment expenses and charges, depreciation of equipment, reinsurance fees, operating leases, amortisation of intangibles, and other expenses incurred in running the Group's operations.

Pension Freedoms/Pension Freedom and Choice/Pension Reforms – the UK Government's pension reforms, implemented in April 2015.

Pensions Wise – the free and impartial service introduced in April 2015 to provide "Guaranteed Guidance" to defined contribution pension savers considering taking money from their pensions.

PrognoSys™ – a next generation underwriting system, which is based on individual mortality curves derived from Just Group's own data collected since its launch in 2004.

Regulated financial advice – personalised financial advice for retail customers by qualified advisers who are regulated by the Financial Conduct Authority.

Reinsurance and finance costs – the interest on subordinated debt, bank loans and reinsurance financing, together with reinsurance fees incurred.

Retirement Income sales (in reference to Just Group sales or products) – an APM and one of the Group's KPIs and collective term for GIfL, DB and Care Plan. Retirement Income sales are reconciled to IFRS Gross premiums in note 2 to the consolidated financial statements.

Retirement sales (in reference to Just Group sales or products) – collective term for Retirement Income sales and Drawdown.

Simplified advice – regulated financial advice offering a limited service on a limited or specialist area of financial need, such as retirement, to retail customers taking into account information relevant to that need.

Solvency II – an EU Directive that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Solvency II capital coverage ratio – one of the Group's KPIs. Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

Trustees – individuals with the legal powers to hold, control and administer the property of a trust such as a pension scheme for the purposes specified in the trust deed. Pension scheme trustees are obliged to act in the best interests of the scheme's members.

Underlying operating profit – an APM and the sum of the new business operating profit and in-force operating profit. As this measure excludes the impact of one-off assumption changes and investment variances, the Board considers it to be a key indicator of the progress of the business and a useful measure for investors and analysts when assessing the Group's financial performance. Underlying operating profit is reconciled to IFRS profit before tax in the Business Review.